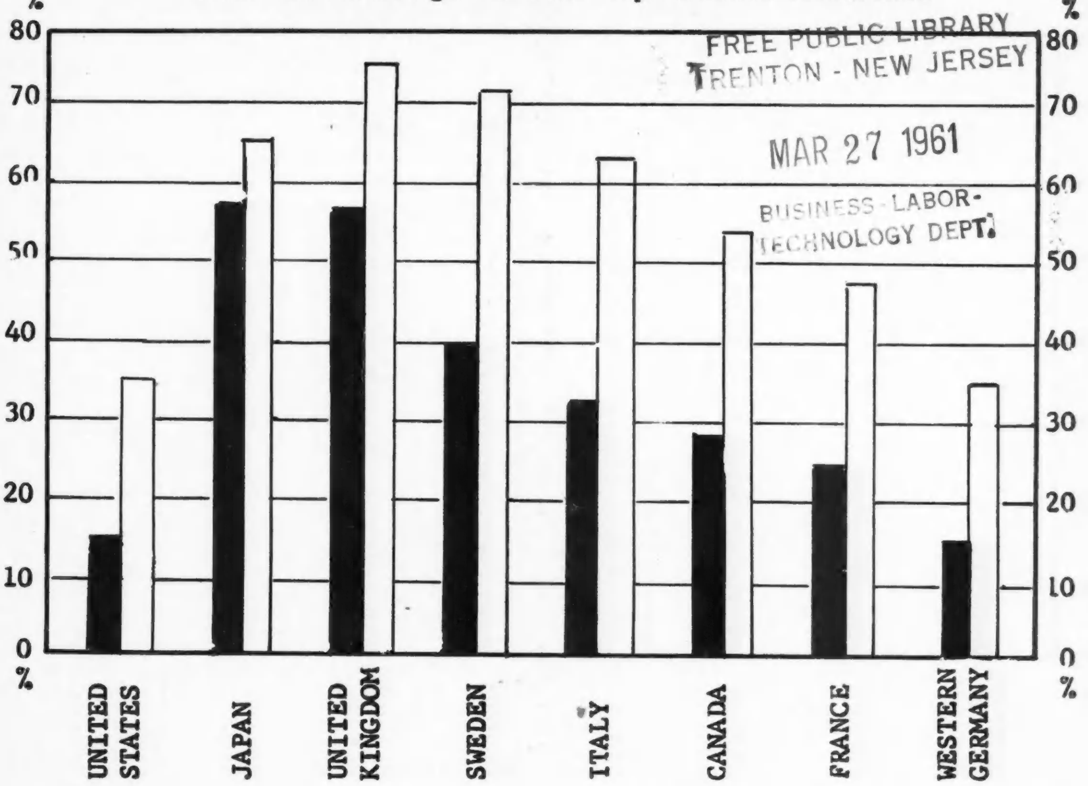
CREDIT AND FINANCIAL MANAGEMENT

U.S. Disadvantage in Tax Depreciation Allowance



Comparing our obtainable capital consumption allowances with those of seven other countries on equipment given a 15-year life for tax purpose. The solid column represents percentages written off in first year of service; the open column, percentages that are written off in the first three years.

APRIL 1961

NUMBER 4

VOLUME 63

How Adequate Tax Allowance For Depreciation of Plant and Equipment Would Aid Business

The Cover Picture **See Pages 5 and 8**

Suggests Lower Cash Discount By Merchants of Fine Paper

Paper merchants should consider reducing their fine paper cash discounts, Milton J. Wied, controller and director of Newhouse Paper Company, Minneapolis, writes CFM. Mr. Wied is past president of the Minneapolis Association of Credit and Financial Management.

M. J. WIED

"Back in the '30s, wholesale paper merchants in many cases profited from the fact that the manufacturers were granting a 3% discount to the merchants whereas the latter were allowing only 2% to their customers. As a result of this spread in discounts the paper merchant was able to show a financial gain.

"Shortly after the second world war the manufacturers decided they should tighten their credit terms. Not only did they reduce their discount from 3% to 2%, but they shortened the time from 30 days average settlement to 20 days and in some cases to 10 days.

"Paper merchants today are very seriously considering a reduction in their 2%—10th prox. terms. They have found that in the industrial wrapping paper field they could reduce to 1%—10 days and in some cases to net—10 days. The fine paper merchants today, of course, are operating at a financial loss so far as discounts are concerned. This must then be considered a part of the cost of doing business.

"The present 2% discount on printing papers furnishes an attractive incentive to the consumer for paying his bills promptly, yet consumers quite often are sacrificing the discount and utilizing the merchant's credit for their working capital needs.

"It is my feeling that the paper merchants should consider a reduction in their fine paper cash discounts."

To avoid criticism, do nothing, say nothing, be nothing.
—Elbert Hubbard

EDITORIAL

Business Morals and Competition

JUST as competition is the life of trade, so credit is its lifeblood.

The vision and ingenuity of credit executives have facilitated the growth of many new businesses and the expansion of many older firms. The stake which the readers of this magazine have in our free economy extends beyond pecuniary gain.

There must also be a deep pride in the preservation of a system which has been invigorated by their professional hand.

All the more need then, to reflect on the recent convictions of nationally-reputed manufacturing corporations and many of their higher-placed executives for such anti-trust violations as price-fixing and market-rigging.

The damage to the prestige of the industry involved, and to the business community at large, cannot be minimized by attempts to rationalize the activities into propriety.

We are quick to condemn actions which fall short of the high standards of conduct we demand and must have, on the part of labor unions, public officials, adolescents and leaders of world affairs.

Can the business world be less demanding of itself?

We are quick to insist that free enterprise is the cornerstone of our free world—and so it is.

Can we afford to give comfort to those who would erode that freedom?

This nation and the entire free world owe a great deal to big industrial organizations. By the same token, those organizations which have achieved positions of leadership have an obligation by the very fact of such leadership, to give as well as take for the common good.

Selfishness and winking at ethical and moral codes are human weaknesses which are inconsistent with statesmanship.

Alan S. Jeffrey

EXECUTIVE VICE PRESIDENT

THE APRIL COVER

THE United States "cannot afford to lose the potent stimulus to capital accumulation and to investment resulting from larger depreciation deductions," Charles W. Stewart, president of Machinery and Allied Products Institute, writes us in comment on a comprehensive study by the Institute's research director, George Terborgh, in its *Capital Goods Review.*

In article and tables, Mr. Terborgh showed in broad classification the disparity between capital consumption allowances obtainable in the United States and in seven other countries on equipment given a 15-year life for tax purposes. In one table the comparison is on the first year of service; in the other on the first three years of service. (These are not *taxable* years, he points out. Installations of a taxable year average six months of service that year.) His two tables are combined in one

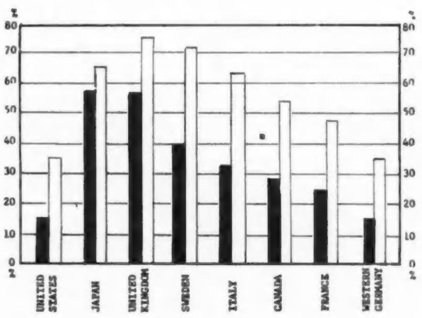


illustration on the front cover, solid column 1 year, open column 3 years.

Liberalized depreciation stimulates investment in two directions, says Mr. Terborgh: it augments the supply of capital funds and at the same time increases the incentive to invest such funds. If the liberalization is concentrated on thereafter-acquired assets, it enhances the prospective after-tax return from a proposed investment, and it increases the early cash flow from a new investment, thus reducing the risk involved. *(Capital Goods Review,* No. 44, January 1961, containing Mr. Terborgh's survey, headed "Tax Depreciation Here and Abroad," is available at 25 cents a copy, from Machinery and Allied Products Institute, 1200 Eighteenth St. N.W., Washington 6, D.C.)

Articles on various phases of the need of liberalized depreciation are in this issue, beginning page 8.

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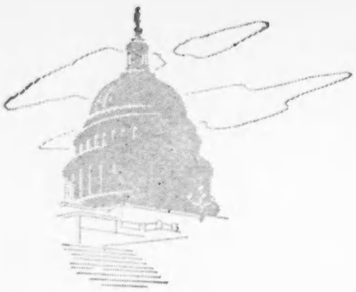

Washington

¶ THE legislative hoppers—House and Senate—are hopping with proposals for changes in federal bankruptcy law provisions on lien priorities, dischargeability, and tax priorities.

Representative Basil L. Whitener of North Carolina has introduced H. R. 4473 (similar to his H. R. 2236 in the previous session), which would limit priority and non-dischargeability of tax claims in bankruptcy to unsecured federal, state and local taxes which have become legally due and owing within three years prior to the filing of a petition in bankruptcy. The measure has been referred to the committee on the judiciary.

Currently, all taxes, even those unsecured by tax lien, have unlimited priority over general creditors' claims and are not dischargeable.

Customers have been forced into unexpected bankruptcy by pileups of unsecured back taxes of which neither they nor their creditors have been aware, leaving the latter little or no hope of payment for goods previously shipped.

The National Association of Credit Management has been urging limitation of priority of non-dischargeability to only such taxes as become legally due and payable within the year preceding bankruptcy. Following objections from the Treasury Department, the House modified the proposal to a three-year limitation. In the two previous Congresses, the House passed the bill but the Senate failed to act.

Under H. R. 1961 (Poff), referred to the committee on the judiciary, the Bankruptcy Act would be amended to clarify uncertainties arising from the *Quaker City Uniform* and other decisions. It would restore contractual liens, such as chattel mortgages, conditional sales contracts, factors' liens and trust receipts, from fourth priority position to the original first priority above administrative expenses, wage claims and landlords' liens.

And H. R. 4319 (Mills), referred to the ways and means committee, would modernize federal tax laws on priority and effect of federal liens, would bring non-bankruptcy insolvency rules into line with principles of the National Bankruptcy Act, and would give mechanics' liens priority over unrecorded federal tax claims.

Identical to S. 1193 introduced by Sen. Curtis.

Three bankruptcy measures on wage priority, introduced in the House and referred to the committee on the judiciary, are these:

H. R. 819 (Multer), which would extend wage and salary priorities in bankruptcy from the current $600 limit earned before bankruptcy to the monthly average of the preceding year's earnings within the three months before bankruptcy;

H. R. 3329 (Multer), which would extend wage and salary priorities in bankruptcy from the present $600 earned within three months before bankruptcy to $1,000 earned within three months before bankruptcy (identical bill in Senate: S. 113, Javits); and

H. R. 2274 (O'Neill), which would extend wage and salary priorities from the present $600 limit earned within three months before bankruptcy to $1,800 earned within that period. This measure would also provide that pension and welfare benefits earned by an employee have the same priority as direct wages.

Under H. R. 1742 (Celler) the Bankruptcy Act would be amended to authorize courts of bankruptcy to determine the dischargeability or non-dischargeability of provable claims.

Among other taxation measures, referred to the House ways and means committee, are:

H. R. 2030 (Herlong), which would reduce individual tax rates in all brackets (91 per cent to 47 per cent for highest bracket), and corporate tax rates (52 per cent to 47 per cent) over a five-year period; and

H. R. 3550 (Mason), under which the Internal Revenue Code would be amended so that the earnings of cooperative corporations would be taxed exactly as are the earnings of proprietary corporations: first to the corporation and then to the recipient of the corporation's dividends.

H. R. 2316 (Smith), referred to the ways and means committee, which would amend the Internal Revenue Code to give mechanics' liens priority over unrecorded federal tax claims.

H.R. 4855 (Celler) would give bankruptcy court summary jurisdiction over any proceeding brought for purpose of recovering or avoiding any preference, transfer or obligation. And H.R. 4856 (Celler) would amend Chapter XI (Arrangement Proceedings of the Bankruptcy Act) to require claims be filed and to provide that the last date for filing claims be stated in notice of the creditors' first meeting.

In the Senate, S. 581 (Bush) would limit the power of states, cities or other political subdivisions to require out-of-state concerns to collect their sales and/or use taxes for them. (Referred to committee on finance).

Not Unsound Credit, Not Excessive Spending, BUT

More Depreciation Allowance in

Says **CLYDE WILLIAM PHELPS, Ph.D.**

Professor of Economics

University of California, Los Angeles

IN THE shrill cries of the Welfare Statists and in the Thunder from the Left over the current recession, unemployment, and lagging economic growth, there would seem to be much sound and agitation but little understanding of basic fundamentals.

Depressions are caused neither by scarcity of money nor by general overproduction, as J. B. Say made clear in his arguments with Malthus and Sismondi more than a century ago. Keynes resurrected these fallacies under the rubric of "insufficiency of effective demand." He bestowed upon them a pseudo-scientific academic benediction, offering an apologetic rationalization which provided apparent justification for the taxing-spending-redistribution policies and the vote-getting programs which are so popular with those who have risen to political power during the past quarter century.

Hence, the present generation is having to learn anew the historical principle that the recurrence of recessions is basically due to the repeated attempts to "stimulate" business by means of unsound credit expansion and excessive government spending. Recurrent recessions are nothing more or less than the price that must be paid for inflationary booms—like the morning-after price that must be paid for the preceding night's binge.

A SOUND WAY to stimulate business is to permit it to have enough funds left after taxes to replace and increase the plant and equipment needed for economic growth. Here, permitting businesses fully adequate tax depreciation allowances would be directly and immediately stimulative, considering the fact that the deficiency of presently allowed depreciation is running in excess of $5 billion per annum because of the effects of creeping inflation.

Such a suggestion may not sit well with many bureaucrats (both elected and appointed) nor with the new intelligentsia who advise our political leaders. Enraptured with the illusion of apparently supernormal communist economic growth rates and the image of a thoroughly governmentally-controlled economy, many want our Federal Government to somehow "guarantee" growth at the rate of X per cent per annum by unlimited government spending and confiscatory taxation.

The economic growth curve of the United States over the years has not run parallel with the slow rate of increase in the population and the labor force. Rather, it has paralleled the rise of invested productive capital in the form of plant, equipment, and installed horsepower.

What is the really basic requisite for economic growth, assuming a free enterprise system to which political leaders and their intellectual advisers give lip service? Such growth is best measured by increase in production per man hour. But does it come from mere labor?

Even if a worker should put forth more physical and mental exertion, to the accompaniment of greatly increased sweat and strain, his unaided production per hour could grow but little. However, if he is permitted to sit down at a new, improved machine, operating at greater speed and precision aided by increased horsepower, with more effectively engineered materials-handling equipment, in a better designed plant, his output per hour can really grow.

But new machines, motors with greater horsepower, and improved plant and equipment can be provided only by investment. Someone has to put up the money to replace plant and equipment that wear out or become obsolescent, as well as to build new facilities. When, because of inflation (which government policies will continue to inflict upon us), it costs more to replace plant and equipment than the inadequate depreciation allowed under present tax laws, economic growth is necessarily slowed down.

ALL THIS poses an ethical, normative, or policy problem for the new intellectual elite and their political masters now encamped on the banks of the Potomac. While they may still bear the Keynesian taint, many of them are no longer afflicted in its virulent form with the "Mature Economy" aberration of the 1930s causing delusions as to the disappearance of opportunities for the private investment of employment-creating and growth-stimulating capital. Often it is rather that they are bemused by the mirage of an allegedly "Affluent Society," whose government policies curiously enough have brought its U. S. Treasury to the brink of insolvency as far as the short-term gold claims of foreign creditors are concerned.

The Keynesian, Post-Keynesian, and Welfare Statist theorizing as to employment and growth runs basically as follows: (1) Aggregate spending (which is supposed to create employment and economic growth) is composed of Consumption Spending and Investment Expenditures. (2) But the consumption function is relatively "stable," and anyway the point of diminishing returns has already been passed in despoiling the upper income groups to give to those with assumedly greater propensities to

Tax, for More Economic Growth

consume. (3) Therefore, investment expenditures are of crucial importance.

The question, then, that arises is the following: Shall private individuals and firms be left enough after taxes to do the required investing? Or shall government (by providing for inadequate depreciation allowances and for confiscatory taxation) prevent this so that in due time it may piously but triumphantly proclaim that "private enterprise has failed" and, therefore, government must take over?

In this connection, the policies mentioned and other government policies have already brought the railroads closer and closer to the point of take-over, and plans are now being considered in Washington for the government building of electric power plants that existing private companies are willing to construct. Over the past three decades a strange economic madness has gradually seized and addled the thinking and the values of an increasing proportion of a once levelheaded people. It is a development that might well add an interesting chapter to Dr. Charles Mackay's great book entitled *Extraordinary Popular Delusions and the Madness of Crowds,* first published back in 1841.

THE WORLD'S WORST TAX DEPRECIATION SYSTEM

THE AVERAGE AMERICAN of today has been conditioned to think, like the hero in Voltaire's *Candide,* that "All is for the best in this best of all possible worlds," and more specifically that since America is not yet a communist nation, our tax rates just *are* lower and our depreciation allowances just *are* more liberal than those prevailing in any leading country outside the iron curtain. These countries, Joe Public has been conditioned to believe, are more "socially conscious" and "welfare oriented" than is the more or less capitalistic United States, and hence they just *are* harder in their tax and depreciation policies. Unfortunately, Joe is quite wrong.

As a matter of fact, our federal personal income tax is the steepest and attains the highest marginal rate (91 per cent) in the world. On top of this punishing tax, many states and some cities impose additional personal income taxes. Our federal corporate income tax at the general rate of 52 per cent on undistributed profits is higher than the rate charged by any other leading industrial nation outside the iron curtain. And when the two taxes apply (as in the case of corporate profits paid out in dividends), even after allowance for dividends-received credit (4 per cent in the U.S. as compared with the 20 per cent credit given in Canada and still larger credits in many other countries), the effective rate of tax ranges from 62.6 per cent for the low-income recipient in the $4,000—$6,000 bracket to 93.8 per cent in the upper brackets. These percentages reflect the total impact of both corporate and personal income taxes on the profits earned and received by the stockholder.

Under such conditions, who, other than those slightly mad, would expect that private individuals and companies are going to have enough left after taxes to be able to invest the amounts required for high rates of employment and economic growth? Welfarists speak of so-called "loopholes" or credits, being careful not to mention that these are more general in other leading industrial countries than here and where tax rates are lower than in the United States.

AS TO tax depreciation allowances, it appears that the more liberal treatment accorded in leading foreign countries has been an important reason in explaining their superior rates of economic growth in recent years as compared to ours. Comparisons are not easy because of the complexities and differences in the tax depreciation systems of the various countries.

But to take one study, based on equipment with a 15-year life for depreciation purposes, the percentage permitted to be written off over the first service year would be 13 per cent of cost in the U.S. as compared with more than 50 per cent in Japan and the United Kingdom, over 30 per cent in Sweden and Italy, and more than 20 per cent in Canada and France. Over the first three years of service the percentages written off would be as follows: 35 per cent, United States; more than 70 per cent, United Kingdom and Sweden; over 60 per cent, Japan and Italy; 54 per cent, Canada; 47 per cent, France.

Even if the tax write-off period is shortened, as in accelerated depreciation, inflation can cause replacement to cost more than the total amount recovered through the depreciation allowances permitted. Hence, some countries authorize "revaluation" of asset values (thus increasing total depreciation allowances) to offset the higher replacement costs resulting from inflation, and others grant "investment allowances" in excess of original costs. It is frequently suggested that American practice should permit additional deductions in excess of mere historical cost, such deductions to be based upon an index of inflation in the prices of the class of assets replaced.

It would require extended and laborious research to arrive at detailed conclusions based upon a thorough

comparative analysis of the systems of various countries. But it is probable that our claim to having the most unfavorable tax depreciation system among the leading industrial nations of the world is not subject to challenge.

DEPRECIATION, INVESTMENT, AND GROWTH

WHY HAVE the leading foreign countries which compete with us gone in for highly liberalized tax depreciation policies, particularly since World War II? These policies did not result from chance, goofs, or unintended "loopholes" in formulating tax programs. On the contrary, they were deliberately adopted for the definite purpose of stimulating private investment and thereby maximum employment and growth. And they have been extremely effective in contributing to the attainment of these ends. Indeed, the rate of capital investment resulting from extreme liberalization of depreciation allowances at times became so high as to strain the resources of a country, and at such times Sweden, Great Britain, West Germany, and other countries temporarily deliberalized the allowances permitted.

Why do liberalized depreciation allowances stimulate investment and hence maximum employment and economic growth? First, they obviously place a business in a position to be *able* to invest more. It has immediately more funds left after taxes to invest in increasing its working capital and in modernizing its plant and equipment so that it may grow faster, providing more jobs and contributing toward a greater national output and a higher standard of living for the economy as a whole.

SECOND, liberalized depreciation allowances make a business more *willing* to undertake increased investment. Several aspects of this stimulus may be mentioned. The anticipated after-tax yield from a given investment increases as the number of years in the write-off period decreases. Moreover, the risk in making a new investment is reduced if tax depreciation allowances permit the recovery of its cost within a relatively short period of years. If cost recovery taxwise must be spread over a long period, say 15 to 25 years or more, the risk of things happening to adversely affect, or destroy the value of, an investment in specialized facilities is greatly increased. Finally, liberalized depreciation tax policies facilitate the financing of a new investment requiring the raising of funds from outside a business.

But laymen and Welfarists, who never bat an eye at the multi-billion dollar subsidy programs which now constitute a national scandal, may regard liberalized tax depreciation as a subsidy or as a tax loss to the government. Neither view is correct.

Even if such depreciation were erroneously regarded as a subsidy, it would have to be admitted that it does stimulate investment, employment, and economic growth. This is much more than can be said for the subsidies paid to get people not to produce, to get foreigners not to hate us, and so on.

But there is no subsidy, or tax loss to government, in the long run. And it is the government, not the individual citizen, that lives in the long run. Liberalized depreciation involves not a tax loss in the long run, but rather a partial postponement of taxes. And because of the stimulation of investment by such postponement, the taxing authority enjoys a larger income base (much greater than it otherwise would have been) for future taxation.

To illustrate, imagine an extreme example in which a business would buy only one machine costing, say, $10,000 in its lifetime and would be permitted to write off the entire cost in the first year. In that year, $10,000 of its profits, which would otherwise be subject to taxation, would not be taxed. But in each succeeding year every dollar of its profits, which have been increased by the use of the machine, would be taxed.

OFTEN the tax gatherer may remind one of a little boy who grabs half of the eggs from under a setting hen because he just won't wait a few weeks for the chickens to hatch. Such policy is not particularly shrewd if it is really desired to preserve what is left of the socalled private sector of an increasingly collectivistic state, and to promote a society of relatively free men. However, it does fit in rather well with the idea of discouraging and preventing private investment so that more, and then most, and finally practically all, investment is made by an all-powerful state which dominates the lives of its subjects.

The old Keynesian cry of a quarter of a century ago rings false today. It is not true that private individuals and concerns won't invest sufficiently to create socalled full employment. The truth, evident to all, is that they are being prevented by unwise government policies from investing to promote maximum employment and economic growth.

CONCLUSION

SINCE WORLD WAR II it has become increasingly clear that the repressive effects of confiscatory tax rates and unrealistic depreciation allowances can no longer be denied. Among other indications of capital formation difficulties and shortages of working capital may be noted the marked growth in the use of such financing methods as leasing, factoring, and accounts receivable financing.[1]

It would seem that priority should now be given to tax reduction and liberalization of depreciation allowances rather than to continue to rely on the dangerously inflationary palliative of deficit financing and lavish government spending.

[1]Editor's note: Professor Phelps is the author of an extensive article on leasing which appeared in the May 1959 issue of *Credit and Financial Management*, as well as monographs on factoring and accounts receivable financing published by the Educational Division of Commercial Credit Company, Baltimore 2, Maryland.

Two Results of Inadequate Depreciation Allowance:

Income Overstated, Tax Overpaid

By MAURICE E. PELOUBET, CPA

Pogson, Peloubet and Company

New York, New York

MANY years ago credit executives and bank officers were said to operate largely on what was called the "pounce" system. They looked for what would be quickly realizable in cash as the basic security for their loans or for payment for their merchandise. The banker or creditman was thought to be fishy of eye and cold of heart.

That picture of the past was overdrawn and exaggerated, but it is true that the banker and credit executive used to look primarily to assets. Now, however, they look first at the earnings and the probability of maintaining them in the future as the basic security for payments and the best index to the value of the business.

The integrity of the income account, the assurance that income is not overstated, is therefore of the utmost importance to anyone charged with the responsibility of extending credit.

But why, in these days when even very small enterprises are served by professional accountants, should there be any question of the correctness of the profits shown by the income account? The reason is that, in many cases, the accountants are not allowed to state income correctly, either in statements to the owners or creditors of the business or for federal or state income tax purposes.

WHY INCOME IS OVERSTATED

THE U.S. Treasury Department contends, for income tax purposes, that all dollars at all times are of the same value. A dollar invested ten, fifteen or twenty years ago is, in the Department's view, the equivalent of a dollar today. The Department says that if the taxpayer gets back a dollar at today's value he has gotten the equivalent of the dollar he invested ten, fifteen, or twenty years ago.

The absurdity of this is so plain it hardly seems necessary to state it, but tax returns must be prepared on that basis, and most taxpayers make up their statements on about the same basis as their tax returns. This is why any statement for an enterprise which uses long-term machinery and equipment probably overstates its income.

The preliminary report on a survey of depreciation practices made by the U.S. Treasury Department issued on January 5, 1961 indicates that 63 per cent of large corporations and 42 per cent of smaller enterprises think that the depreciation allowed for tax purposes under present statutes and regulations, which presumably agrees with the depreciation shown in statements to creditors, is inadequate.

BENEFITS FROM LEASING

ONE METHOD has been devised which, under certain circumstances, tends to soften, or at least transfer, the effect of inadequate depreciation; that is the leasing of machinery, equipment and buildings rather than buying or owning them.

Broadly speaking, there are three possible benefits from leasing rather than buying: first, there is no immediate decrease in working capital; second, if the property is already owned by the taxpayer, it can frequently be sold at a profit, and, although this profit is usually paid back in rental, working capital is increased for the time being, and third, as rental is paid as the property is used, the rental, which takes the place of depreciation, is paid on the basis of the current value of money, the same as any other expense.

Whether to lease or buy is usually determined on the basis of whether it is cheaper to borrow money or use working capital to purchase new machinery and equipment, or whether it is better to pay the costs of leasing in order to obtain the advantages which have just been described.

Under liberalized depreciation the taxpayer will still benefit from the first two advantages of leasing, but as depreciation is progressively liberalized, the benefit of the third advantage will decrease. In any event, somebody suffers from insufficient depreciation. The lessor will probably try to save himself on this by increased rent, and the advantage to the lessee will be correspondingly reduced.

RESULTS OF INADEQUATE DEPRECIATION

THERE are two principal results of inadequate depreciation; income is overstated and taxes are overpaid. These affect the financial position of the taxpayer in several ways. The overstatement of income leads to increased demands for dividends and increased demands from labor, because the stockholders and employees think there is that much more to be split up.

The increased taxes, if based on overstated income, are paid not out of earnings but out of capital. Until it is necessary to replace, rehabilitate or modernize machinery the inadequacy of the depreciation and the depletion of capital are not recognized.

When this happens, the unfortunate taxpayer finds that his provision for renewal or replacement is woefully inadequate. He must find the funds to bring the provision up to what is needed.

(Concluded on next page)

If he can't find the funds he goes out of business by liquidation, bankruptcy or merger.

If he can borrow he is still only paying for past losses, not making a new investment. Obviously it is bad business to overstate income, pay out more than has been earned and borrow to make it up. It can't continue forever and may not continue long.

HEAVY STAKE IN DEPRECIATION

The banker and credit executive have a heavy stake in depreciation. Any business, large or small, that uses long-lived machinery, if that machinery is a large part of its total property, is in danger from inadequate depreciation and the longer-lived the machinery and larger proportion it is of total assets, the greater the danger.

On the other hand, if depreciation is adequate, the business maintains its investment, improves its earnings and becomes a better and better credit risk.

Broadly speaking, two methods of reform have been put forward; one, the shortening of lives either at the taxpayer's option, or on some basis like the Canadian system; and, two, some method such as the reinvestment method, or a recalculation of depreciation on current values which recognizes the decline in the value of money. Both of these reforms are necessary, but either one alone would be valuable.

Congress is fully alerted to the importance of depreciation reform. Hearings have been held, nationally known economists, lawyers and accountants have testified, and legislation has been introduced.

Both political parties have gone on record in favor of liberalized depreciation.

Bankers understand fully the implications of the problem, as was well illustrated in the July, 1960 letter of the First National City Bank of New York when it compared the United States and foreign depreciation systems:

"In comparison with foreign tax allowances for depreciation on machinery and equipment, U.S. tax allowances stand out as particularly restrictive. This stringency is a matter of increasing national concern, as American producers are confronted with increasing competition from foreign manufacturers who can now combine cheaper wage costs and easier income tax rates with faster tax write-offs of the most modern machinery.

"Though no new legislation has been adopted, criticisms of U.S. depreciation allowances have found sympathetic understanding in the Treasury and in the Congress. In January (1960) the Senate Select Committee on Small Business issued a Report on Tax Depreciation Allowances on Capital Equipment which went far beyond the impact on small business. The Committee reached the broad conclusion that:

"Present depreciation policies do not sufficiently encourage the expansion of the national economy. Indeed, those policies have, in all probability, stifled economic growth.

"The twin problems of inflation and technological obsolescence . . . have made our depreciation policies completely out of date . . ."

With one-third of our productive facilities obsolete and with our current depreciation allowances about \$6 billions per year less than they should be, it is high time to do something, not only to save the manufacturer and the user of long-lived machinery, but to insure the continued productivity and competitive ability of the entire economy as well.

Revise to Modernize: Bimson

INDUSTRY has surplus capacity "almost everywhere," after spending approximately \$170 billions on new plant and equipment since 1956—but much of it is obsolete, says Carl A. Bimson, president of The American Bankers Association and president of Valley National Bank, Phoenix.

"We definitely need a revision in our depreciation schedules to stimulate the further modernization of plant and equipment if we are to compete better with foreign imports, and if we are to reduce costs while increasing payrolls and corporate profits," Mr. Bimson said at the ABA's credit conference in Chicago in January.

Mr. Bimson cited a McGraw-Hill survey's indication that almost one-third of this nation's \$300 billion capital assets is obsolete. He called our industrial plant "in part relatively outmoded" when compared with that of Western Europe and Japan.

"A decisive majority of more than 3,000 companies have reported they would increase their working capital spending if Congress liberalized depreciation laws," he noted. "A recent poll by the American Economic Foundation showed that seven out of ten business and labor economists favor liberalized depreciation."

MEASURES BEFORE CONGRESS

Measures to improve taxation allowances on depreciation have been introduced in both houses of the 87th Congress.

Under H. R. 2 (Ikard), H. R. 2003 (Curtis) and S. 2 (Sparkman), tax adjustment would be provided for small business and persons engaged in small business by allowing deduction for additional investment in depreciable assets, inventory and accounts receivable.

Another Sparkman measure (S. 378) would enlarge the 1954 provision by extending to purchasers of used property the benefits of alternate methods of depreciation now provided to purchasers of new property.

S. 580 (Smathers) would permit taxpayers to specify for purposes of depreciation deduction the useful life of tangible personal property, provided that in the case of new property the period so specified shall not be less than 5 years and in the case of used property not less than 3 years. (Companion bill: H. R. 482-Rogers)

How Method of Computation Used Affects Account's Income Statement

By DONALD R. BLOTT

Controller, Delaware Management Company, Inc.
Philadelphia, Pennsylvania

DEPRECIATION, particularly since the advent of income taxes, has probably received more attention and tested the ingenuity of the American financial fraternity more than any other phase of accounting.

Accountants have striven, and quite successfully in most cases, to convince businessmen that the depreciation charge isn't just a mythical expense to be applied to the income statement sparingly in lean years and heavily in good years, depending on how they want to impress stockholders.

Academicians have written tons of information relating the effects of depreciation on short and long term profits, obsolescence, rising costs, and the depreciating dollar.

Economists and statisticians have equated depreciation to the national growth, the business cycle, and the general economic prosperity of the country.

President Kennedy recently suggested he would ask Congress to further liberalize depreciation rates, not for any accounting justification but to induce industry to increase capital expenditures in order to help stimulate our economy.

And finally, I think it could be demonstrated that depreciation has even been used as a political weapon.

Rather than concern ourselves with these lofty problems, let us review some of the practical aspects of depreciation which confront us every day. And in doing so, let us look at the tax treatment of depreciation as it concerns the *small to medium-size* organization.

It is the rare businessman indeed who won't take advantage of every tax consideration and give himself the benefit of any doubt to boot. Because of this attitude, the profit picture can be distorted, so it is essential to understand the basic principles involved.

USEFUL LIFE OF PROPERTY

THE FIRST ITEM to be considered in the computation of depreciation is the estimated useful life of the property. I think most of us are familiar enough with the life span of common items such as buildings and furniture. In addition, the Internal Revenue Service has published Bulletin "F", which can be used as a guide in determining the probable normal life of a great many items of depreciable property.

Special purpose items of equipment offer a difficult challenge and would have to be judged individually in the light of available evidence. For example, in a recent tour of the IBM plant at Endicott, New York, I noticed a machine which had been designed to wire control panels for computers, a job previously done manually. These machines were expected to be in operation shortly and I couldn't help but wonder if, in these times of rapid technological change, no sooner would all the machines be working than an engineer would design a panel that could be punched from a piece of metal or prepared from a mold. Luckily, most of us aren't often called upon to take problems such as these into consideration.

METHODS OF COMPUTATION

ONCE the useful life of the property has been decided upon, the next step is to choose a method of computing depreciation. There are many methods available. However, we shall only consider the three most popular.

The *straight-line method* of computing depreciation is the most common, probably because of its simplicity. This method may be used for any depreciable property (which is not the case with the other two methods) and is computed by allocating the cost of the property equally over the estimated useful life. Thus, a truck with a cost of $5,000 (after salvage value) and a useful life of 5 years would be depreciated at the even rate of $1,000 each year.

The *declining-balance method* is undoubtedly the second most popular. This method may be used for tangible property having a life of three years or more, and generally can be applied only to new (unused) property. The declining-balance rate may be as high as 200 per cent of the straight-line rate. The depreciation allowance is computed by applying a uniform rate to the undepreciated balance of the property.

Using our example above and a "double declining-balance" rate of 40% (200% x 20%) the first year depreciation would be $2,000, the second year $1,200 ($5,000-$2,000 x 40%) and so on to succeedingly smaller amounts for each of the remaining three years. Incidentally, it is not necessary to deduct estimated salvage value before computing depreciation under this method, as must be done with both the straight-line and sum of the years-digits methods.

The last method to be reviewed here is the *sum-of-the-years-digits method,* which can be applied only to the

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Tax Palliatives, Not Remedies

U.S. Business Is Still Handicapped despite Revisions of 1954 and 1958

BY JAMES K. POLK*

Whitman, Ransom & Coulson, Attorneys

New York, New York

UNDER our income tax system, revenues to the Federal government are obtained by a percentage levy against a statutorily defined "Taxable Net Income." This measuring rod is not an absolute gauge—it is a matter of Congressional prescription. It can and does vary widely from an "income" defined or recognized by corporate law, in fiduciary matters, under regulatory concepts, for financial considerations, for local assessment purposes or under generally accepted accounting criteria. It can and does vary widely between trades and businesses. The statutory income has at all times been defined as a designated gross income, less certain prescribed deductions. And of major importance in this statutory "Taxable Net Income" formula has always been a deduction for

> "a reasonable allowance for wear and tear of property used in trade or business including a reasonable allowance for obsolescence."

FROM 1913 to 1953 certainly the Congress and the administrators of the taxing statute considered any consistent method of recouping *cost* (or basis) less salvage over the lives of the properties in the hands of the taxpayer a "reasonable allowance." The pattern of the deduction computation—"*Straight-line*" basis of spread; historical and statistical life estimation; crystal ball forecasts of salvage and retirement costs—became fixed without significant variations (except, for example, unit of production). The inadequacy of this pattern and the Treasury's policies—(T.D. 4422, Treas. Mim. 4190, and Bulletin F) produced disputes, frustrations, litigations, and the inevitable taxpayer irritation and demand for legislative relief.

The *pattern of recovery* of this same net cost or basis, however, over the same period, was altered in the 1954 Code to permit in certain cases more recovery in the earlier life and less recovery in the later life of the property. This was accomplished by recognition of a double declining balance of sum-of-years digits computation. In 1958 the pattern of recovery was again altered by allowing a negligible amount of initial write-offs.

These changes, however, were palliatives, not remedies. The present methods of determining depreciation allowances still have established disadvantages. They pose insuperable difficulties of administration—of estimating lives, of estimating salvage and dismantling costs more than 30 years hence, of classifications of properties and of matching the annual dollars of plant consumption costs with the annual dollars of revenue derived from the use of such assets.

Further, the present methods completely fail to match dollars of equal—even remotely similar—purchasing power. The failure to generate dollars equal to plant replacement requirements hinders the technological and capacity progress necessary to a healthy economy. As a result, United States business is placed at a disadvantage in world competition.

ESTABLISHED FACTS

THESE are *not* the findings of a small dissatisfied segment of the tax paying public. They are *established facts* fully supported by the repeated testimony before the Congress by responsible spokesmen for all our industry, of accounting and financial experts, of economists, lawyers, and engineers, and are fully within the knowledge of every taxpayer. These facts have such general knowledge and acceptance as to be judicially noticed.

The President of the United States has recognized the inadequacy of the existing depreciation provisions. Both political parties in their platforms recognized the need for tax depreciation revision and each pledged the adoption of *realistic incentive* depreciation provisions. It was evident from the statements of members of the House ways and means committee at the recent hearings that they were *pledged* to a reform of the tax depreciation provisions. Furthermore, numerous bills were introduced during the last Congress, (and the 87th Congress) dealing with the depreciation problem.

It can thus be confidently predicted that the depreciation allowance is going to be changed, liberalized, and revised so that there will be a proper equating of true costs and receipts. The new depreciation provisions will seek elimination of the present maze of administrative hurdles, blocks and restrictions. These tax law changes should be the next order of business in Congress. Simple, equitable, workable, incentive depreciation laws are going to be enacted.

In this climate there have been many studies of the principal categories of remedial proposals. It is clear that there is no *single* solution to the exclusion of all

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*Mr. Polk was a panelist in a printing and publishing industry roundtable discussion at the 29th annual national conference of the Controllers Institute of America in San Francisco.

MANAGEMENT AT WORK

.... a problem case is solved

By R. M. DeGilio, *Credit Manager*
Syracuse Supply Company, Syracuse, New York

CONVERSION of poor credit risks to good paying, high volume customers is an objective of most credit executives. Some will never experience such an achievement until they come to realize that the sales department can make a very definite contribution. The same can be said of the sales people in respect to the creditman's role.

Both Sales and Credit possess a wealth of know-how in their respective areas which, when coordinated, can mean the difference between making a sale and losing it.

The following case will show how team effort enabled our company to make a substantial sale which otherwise would have been missed.

The principals are The Syracuse Supply Company and "John Doe," our customer.

Mr. Doe started in business in 1930 with little or no capital. In the spring of 1959, twenty-nine years later, he still had little or no capital. In the intervening years he was constantly in "hot water" with his creditors due primarily to his unreliable commitments for payments and general lack of cooperation.

We, too, finally concluded there was little hope of his ever straightening out. We joined the growing list of suppliers who sold to him on only a C.O.D. basis,

Early in 1959 we received his request to submit a quotation on equipment valued just short of $100,000. Our first reaction was passive interest, to say the least. How would he handle an obligation of this size when in the past he couldn't take care of total liabilities which averaged less than $10,000? Furthermore, the use of the equipment would be somewhat foreign to his previous operations.

Nevertheless, not wanting to pass up a potential sale, however remote, our sales department made contact with Mr. Doe, mainly to determine the equipment requirements and application. Once this was done and we were certain his plans for purchase of the equipment were definite, a meeting was arranged with our sales manager and credit manager.

There we learned he had obtained a long-term lease on land which, he said, contained large deposits of high quality raw material. He felt that he had finally "hit" on something which would eliminate all his troubles and that the supplier who went along with him would certainly profit by any future expansion. Most of our readers have heard similar stories and invariably found them of the "cloud nine" variety. In spite of this, we decided to make a thorough analysis of his chances of a profitable operation.

At this point our sales manager set the wheels in motion. His first move was to send a sample of the raw material to a testing laboratory. The analysis showed the material to be of high quality, suitable for use on both private and public projects. Specifications for the latter, incidentally, are quite rigid.

Our sales executive then made a study of both the market potential for Mr. Doe's finished product and the competitive influences in his market area. The survey showed he had a good market and the nearest competitor was several miles distant. This meant he was in a position to produce and deliver his product faster and cheaper than his competitors.

There were still two questions to answer: How and when would the equipment be paid for, and did Mr.

THE TEAM. ***(L to R) R. M. DeGilio, credit manager Syracuse Supply Co.; F. E. Swanson, vice president, construction equipment division; F. B. Scott, president; and F. S. Wallace, sales manager, construction equipment division.***

Mr. Scott, son of the founder, and alumnus of Cornell U., is a director of Carrier Corp. and Marine Midland Trust Co. of Central New York. Mr. Swanson, Syracuse U. graduate, was successively accounting manager, credit manager, controller, division general manager. Mr. Wallace is a graduate of Mechanics Institute, Cincinnati.

Doe have the management ability? Lack of the latter, we felt, had been the basic cause of his problems in the past.

Confronted with the question of financing, he indicated he had already discussed the matter with his banker and was certain the bank would help to some extent. A meeting, therefore, was arranged with the bank.

We learned that the banker was quite familiar with Mr. Doe's plans, in fact, was optimistic about the success of his venture. However, because of the somewhat restricted lending limits, it was virtually impossible for the bank to do the financing.

We too were somewhat reluctant about handling the financing because:

1. Mr. Doe had no capital from which to make a down payment or at least pay a balance outstanding with us for many months, and

2. Our equipment would represent approximately 90 per cent of the total investment.

We felt we should not participate to this extent in view of his questionable management ability. However, since we and the bank both believed the venture could succeed, further discussions were scheduled. Mr. Doe finally succeeded in obtaining sufficient capital from the bank to make an adequate down payment, pay the old account owing us, and still have a small amount for starting working capital.

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AFTER paratroop service in World War II, R. M. De Gilio attended Syracuse University, and last year earned the Executive Award of NACM's Graduate School at Dartmouth. He is a former president of the Syracuse Association of Credit Men and now serves on its executive committee.

Mr. DeGilio joined Syracuse Supply Company in 1951 as credit manager.

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We then went ahead, using the equity in the equipment as collateral. For its participation in the financing the bank secured all other assets not already encumbered.

To insure a reasonable degree of adequate management the business was incorporated, with the banker serving as an officer and director. We now felt most of the problems were sufficiently overcome to afford us a reasonable chance of being paid within terms.

Both Sales and Credit participated in all phases of the negotiations. In 18 months since the sale, more than 50 per cent of the original balance has been paid, on the due dates. Furthermore, we have extended open account; and with a few minor exceptions all open account purchases have been paid within terms.

Success came from the combined efforts and know-how of the Sales and Credit team.

Construction Called "Brightest Spot" after 14th Record Year

Construction is the "brightest spot in the business outlook," say economists of F. W. Dodge Corporation. Late contracts last year brought a new fall-time high for the fourteenth successive year, with 35 per cent of all 1960 contracts for government-owned projects. The principal decline was in housing, primarily private ownership.

Invisible, Intangible, Elusive—Sound Credit Is Controlled Power

By PAUL W. CUTSHALL
General Credit Manager
Assistant Treasurer
South-Western Publishing Company, Inc.
Cincinnati, Ohio

MANY who deal with credit every day will probably consider anyone presumptuous who attempts to take a "new look" at credit. But many thought Columbus was presumptuous when he advanced the idea that the world is round. The same was true when the Wright brothers talked about flying through the air in man-made machines.

P. W. CUTSHALL

Sometimes those of us who work in the field of credit are so close to it that we take things for granted. It is often worthwhile to stand at some distance from this thing called credit and try to get a new perspective. Will you join me?

From the credit executive's point of view, credit is importantly related to many business transactions. It is usually not a factor in cash sales, but these seem to be on the decrease. For practical purposes let us consider a business transaction as "an exchange of equal values."

When the exchange consists of cash or cash items on the one hand and merchandise or services on the other, the credit manager is not concerned. But when merchandise or services are given to a customer and no cash or its equivalent is then received, the credit man *is* concerned. Is this a business transaction? Yes, indeed. Then what is accepted as of "equal value" in exchange for merchandise or services? Something we call CREDIT.

First let us note the credit must be *equal* to the value of the merchandise delivered or services rendered. Next you will notice the seller *accepts* credit rather than *grants* it.

When you receive cash or cash items at the time the sale is made, you have something that is visible and tangible. When you accept credit you have something that is invisible and intangible. Perhaps this helps explain why credit is so elusive, so difficult to understand and control.

Credit people quite well agree a sale is not completed until cash is received. Therefore, can we agree that credit is a temporary substitute for cash—invisible, intangible—and exists at the will of the creditor? If so, the seller receives credit rather than grants it; the buyer offers credit rather than receives it.

Perhaps the thought of credit being invisible and intangible bothers one until he recalls that, in one definition, a corporation is "an artificial being — invisible, intangible — and exists only in contemplation of the law." If a huge corporation can be invisible and intangible, is it any harder to conceive of credit having the same characteristics?

HENCE THE "C's"

Once we accept this concept of credit we can better understand why we use the three C's—Character, Capacity, and Capital—to evaluate it. We are interested in knowing whether the credit offered by our customer is equal to the value of merchandise or services requested or given. In fact, in order to more effectively evaluate credit, we often add Coverage and Conditions, and for international trade the Country involved.

It has been said credit is power. Again one may ask, how can it be if it is invisible and intangible? What keeps your feet on the ground as you spin through space at seventeen miles a minute? Gravity! Did you ever see it? How did you get to be a man from your start as a baby? Growth! But did you ever see it?

We live in a world surrounded by invisible powers which we never see but cannot do without. Credit is one of those. This helps explain how consumers can owe 52 billion dollars, business 260 billion, and government 292 billion while dollars available total only 32 billion. It helps explain our envied economy, which would never be possible if all transactions were for cash.

We must not forget that any power is of great benefit to mankind only when it is controlled and used with wisdom and temperance. Abuse it or let it be without control and there is damage, suffering, and often misery. This applies to credit as a power.

Because of the vital part it plays in the lives of people and because it is an invisible power, more people need to know about its character, its benefits, and dangers. This is especially true for those who manage credit. They stand with their hand on the throttle and serve as a governor to avoid extremes and to regulate use.

As a credit executive one can hardly know too much about credit and its possible effects on all mankind. You have a grave responsibility to control its use, to know how to avoid its abuse. Remember, it is you who must decide whether to accept or reject credit when it is offered in exchange for merchandise or serv-

(Concluded on page 23)

TEACHER *and school administrator for 25 years before joining South-Western Publishing Company, Inc., in 1944, Paul W. Cutshall is general credit manager and assistant treasurer of the Cincinnati corporation. He had been president of both the Indiana and Ohio state business teachers' associations.*

Mr. Cutshall, past president of the Cincinnati Association of Credit Management, was named Credit Man of the Year in 1957.

Know Your National Association

Part III—Education for Credit Management

LIKE other management functions, credit management has achieved recognition as a profession rather recently. Late in 1960, a special report issued by the Business-Education Committee of the Committee for Economic Development said, "The practice of management is slowly changing from an 'art,' and becoming a kind of profession in which skill rests on the conscious application of a body of knowledge to business problems."

Credit management has shared, to a high degree, in this shift towards professionalism. The growth of the NACM's multi-level educational programs reflects this trend. The programs have, in fact, been designed to give the credit trainee more and better preparation for his career, and to provide the experienced credit executive with opportunities to enlarge his knowledge as his job grows more complex. Training helps the credit manager handle the changing problems of changing times, improve traditional operations with new techniques, and to meet exceptional situations and problems with authority and informed imagination. Education broadens the progressive credit executive's basic knowledge and introduces him to innovations in methods, procedures, and approaches that he can profitably apply to his own work.

Tomorrow's credit and financial managers are sure to come from those who have best prepared themselves to assume greater responsibilities. In the past two decades, the number of high school graduates has doubled, and more individuals are studying at the college and graduate levels. One recent study, for example, indicated that in contrast with growth of nearly 65 per cent in the number of managers in medium-sized manufacturing companies, there was a rise of almost 120 per cent in the proportion of managers with business school degrees.

These are some of the key factors that led to establishing the Graduate School of Credit and Financial Management and the earlier National Institute of Credit. Both are now conducted by the Credit Research Foundation, a separately incorporated nonprofit affiliate of the National Association of Credit Management. The Foundation sponsors educational programs for credit personnel at three levels.

For credit department employees who are beginning their careers, the National Institute of Credit offers courses that will help them develop into sound, practical, operating personnel. Through a knowledge of accepted credit practice, they become more valuable as credit management trainees. The Institute offers a nationwide program of training for credit people from the time they enter the field through the first eight to ten years experience. The program is conducted through local association chapters in cooperation with local colleges and universities, and also by correspondence. It provides a complete education in the basic skills of credit management to every NACM member, regardless of location, who seeks such training.

For credit personnel with more experience in their profession, the Credit Research Foundation sponsors the Graduate School of Credit and Financial Management at Dartmouth College in the East, and at Stanford University in the West. The program focuses on the latest technical aspects of credit analysis and financial control, as well as on the five fundamental functions of management—planning, organization, communication, coordination, and control. The participant's development toward higher management status is hastened so that he may be prepared fully when the opportunity for promotion occurs. The graduate programs are held each summer for two weeks over a three-year period.

The third phase of the Credit Research Foundation's educational program is a continuing series of Credit Management Workshops. The three-day workshops are held several times a year in various parts of the country. Under skilled conference leaders, small groups of credit managers and financial executives gather to discuss common administrative and credit management problems. Through the exchange of ideas and operating experiences, seasoned credit executives pool their information and broaden their knowledge and managerial skills.

These three basic programs—the National Institute of Credit, the Graduate School, and the Workshops—offer every credit association member, at every career level and stage of experience, the appropriate educational opportunities. A closer look at each of these programs will help the member decide which phase of the educational program fits his immediate needs—or those of the trainees and other employees in the credit department who could benefit themselves and their companies by further education now.

— and How It Serves You

NATIONAL INSTITUTE OF CREDIT

Earliest of all the educational programs developed within the NACM, the National Institute of Credit was founded in 1920, not long after credit management first began being referred to as the "new profession."

Today, the NIC functions through local association chapters in 45 principal cities of the United States. The objectives underlying the Institute's educational activities are:

(1) To develop and maintain a sound educational program in credit and financial functions and management;

(2) To cooperate with college and university schools of business administration to provide competent guidance and instruction for young men and women beginning credit careers;

(3) To make available, through Institute chapters, correspondence courses of study for those unable to attend classes in colleges; and

(4) To provide professional recognition in the form of awards to those who fulfill the established educational requirements.

Sponsored by a credit association at the local level, each Institute chapter determines its own by-laws, elects its own officers, engages its own instructors, and operates and promotes its own programs under the by-laws, regulations, educational standards, and prescribed programs of the NIC.

Chapters also sponsor other educational programs, including forums on current subjects of credit and financial interest and problem clinics. Instructors are selected on the basis of teaching ability, practical business experience, and interest in adult education. The Institute's office in NACM New York headquarters sets uniform standards, requirements, and procedures for the Associate and Fellow Award examinations.

In addition to completing the required courses, the candidates for the Associate Award must have at least three years' work experience in credit, sales, accounting, financial, or general office functions. After earning the Associate Award, the candidate is eligible to work for the NIC's Fellow Award. This requires at least six years active work experience in the credit, sales, accounting, financial, general office or supervisory functions. An alternate plan permits eligibility for the Fellow Award if the candidate is at least 30 years of age, and has had supervisory responsibility in credit work for ten years.

Both the Fellow and Associate Awards may be granted "With Distinction" to those who have maintained a "B" average, and a "With High Distinction" to those who have maintained an average grade of "A."

The Required Courses

Required courses for the Associate Award include general economics, basic accounting, credit and collection principles, and business correspondence. The Fellow Award requires such courses as the law of contracts and negotiable papers, public speaking, salesmanship, techniques of supervision, credit management problems, and financial statement analysis. Among the elective courses offered are cost accounting, corporate finance, international trade, and marketing.

Since the Institute first began granting awards, Fellow Awards have been earned by more than 1,200 NACM members and Associate Awards by more than 2,000 men and women following credit careers.

Correspondence Study Program

The NIC also offers a college-level correspondence study program which is equivalent to the resident courses and also permits candidates to earn Associate and Fellow Awards. The student may enroll at any time, submit work assigned as time permits, and obtain guidance in further self-improvement by correspondence from the program's instructors.

The most of the Institute's correspondence courses are conducted through arrangement with the Extension Division of the University of Wisconsin. Two courses, Credit and Collection Principles and Advanced Credits and Collections, are conducted by the Institute through its national office.

Institute correspondence students receive without additional cost the NACM "Monthly Business Letter" and an annual subscription to CREDIT AND FINANCIAL MANAGEMENT. Local chapter registrants are entitled to receive without additional cost the NACM "Monthly Business Letter" and an annual subscription to CREDIT AND FINANCIAL MANAGEMENT at a special rate of $2.00.

The varied programs of the National Institute of Credit are described in detail in a brochure, "Insuring Your Future in Credit Management." This is available from the Credit Research Foundation's headquarters in New York.

THE GRADUATE SCHOOL

Like the National Institute of Credit, the Graduate School of Credit and Financial Management is conducted by the Credit Research Foundation, the nonprofit affiliate of the NACM responsible for the Association's complete program of educational and research activities.

The Graduate School began in 1940 as a two-week summer course given in cooperation with the Babson Institute of Business Administration. In 1941, after the second session, the program was interrupted by World War II. It was resumed in August, 1947, in its present form—a program of two weeks each summer for three years—at the University of Wisconsin. In 1950, the school was moved

BECAUSE it increasingly requires special knowledge and techniques, credit management today is a recognized profession. The credit executive must be better prepared and better informed than ever before. The varied educational programs of the NACM are designed to fill the needs of each stage of a credit career. Third in a series of informative discussions of member services, this article reviews the many educational opportunities offered by the National Association of Credit Management to its entire membership.

to the Amos Tuck School of Dartmouth College, Hanover, New Hampshire. And in 1952, a second program was established at Stanford University, Palo Alto, California. Both schools follow the same basic program, requirements, and standards, leading to the Executive Award.

The Graduate School is for those at, or near, the policy-making management level of credit and finance. This is the highest level of professional credit education available. Last year, 51 per cent of those enrolled in the program had college degrees, and 34 per cent of the others had attended college one or more years.

The advanced management program is tailored to the specific needs of the credit and financial executive —the man moving ahead with his company. Its aim is to broaden the mature executive, to prepare him to be more efficient and effective in his job, and to service better his own organization and his own growth.

The composite profile of a recent class revealed an average age of 37, an average of 12 years in credit management, and direct supervisory responsibility for 12 departmental personnel. Nearly half of the credit executives attending were general or assistant general credit managers. More than a tenth of the class had the title of treasurer or controller, or other financial titles.

Thirty Instructors

In the two sessions, Stanford and Dartmouth, thirty carefully selected instructors who have made distinguished records in business schools and industry comprise the faculty.

In the first year, the student studies credit management, development of executive abilities, management policies and functions, and financial management. These subjects are largely continued during the second year, and supplemented by study of current trends in marketing and the economics of money and credit. The third year program includes seminars in management policy and financial management, the development of executive leadership, and timing of executive action.

The case method approach used at the school encourages the student to examine all subject matter constructively and critically, raising questions and sharing his own experience. A primary objective is to develop a broad, high-level approach to management problems—not simply from the standpoint of credit, but from every management viewpoint.

Management Study Report

The actual time in the classroom is a relatively small proportion of the total time that the participant spends in obtaining the full benefits of the Graduate School program. His reading begins months in advance, and a key feature in self-development and formal completion of graduation requirements is his Management Study Report.

This report is an intensive analysis of a management problem within his own company. He enters the school with several possible projects in mind, obtains faculty approval of one at the close of the first session, and consults with his company superior regarding the subject he has selected and its development.

While it is one of the most exacting requirements of the Graduate School program, it has also proved to be one of the most beneficial to participants and their companies. It is the policy of the school to encourage the companies to underwrite the costs of their executives' advanced management training. Management Study Reports have often directly assisted the participant's company, thus gaining increased company recognition for his work and leading to career advancement.

Management Study Reports at one recent Dartmouth session, for example, explored such subjects of broad management and specific company urgency as personnel training, automation, measuring performance standards, capital availability, corporate acquisitions, company investment portfolio management, and decentralization vs. centralization.

Recognition of successful completion of the program is the Executive Award. Special awards are also given to graduates—the American Petroleum Credit Association Award for the best Management Study Report at each session, the Alumni Meritorious Leadership Award for demonstration of outstanding leadership, and the Honorary Executive Award to recognize individuals who have given devoted service to credit education and the credit profession. Each year the Motor and Equipment Manufacturers Association awards three first-year scholarships to qualified executives who wish to attend the school.

Further information on the Graduate School of Credit and Financial Management is available from the director of education and research, Credit Research Foundation, 44 East 23 Street, New York 10, N.Y.

THE WORKSHOPS

To round out its comprehensive educational program, the Credit Research Foundation conducts Credit Management Workshops several times a year in different parts of the country.

They provide small groups of credit executives with an opportunity to explore common problems and to exchange experiences. Some recent themes of these shirtsleeve conferences: personal development for better credit management, customer

counseling, and the importance of customers as an asset in managing credit profitably.

One recent Workshop successfully tried a new approach. Registration was limited to a two-man team—the credit manager and the sales manager—from each company. Twenty-two companies registered sales-credit teams on this basis to probe such topics as establishing sales and credit goals, selecting and soliciting customers, relationships with marginal customers, and selling in a competitive market. Because of its success, this pilot project will become a guide for future Workshops conducted on a similar basis.

Each Workshop is conducted by leaders who are prominent credit and financial executives, business consultants, or well-known business educators.

These varied educational programs, under the direction of the Credit Research Foundation, are designed to meet the professional needs of the credit fraternity at each level of career development. They help NACM members develop their own abilities, broaden their knowledge, increase their skill in credit decision-making, and enhance the practice of credit as a profession of vital importance to the profitable management of modern business.

More Expansion Ahead for Commercial Credit Company

A new trademark symbolizing the composition of the activities of the company's subsidiaries in financing, insurance and manufacturing, and new growth areas, marked the year 1960 for Commercial Credit Company and its subsidiaries. Consolidated net income for 1960 amounted to $28,871,346 or $5.66 a share, compared with $27,860,866 or $5.48 a share for the year 1959.

"As a result of retirements a new management team has come into existence," chairman E. L. Grimes told the press, bringing with it "certain refinements in policies." The groundwork has been laid for considerable growth, he noted, and the outlook for the year ahead is "bright." The company's total resources as of Dec. 31, 1960 totaled $2,075,898,511, an increase over the same period of 1959.

Retail farm equipment financing, personal loans, factoring, business loans, fleet leasing and industrial equipment financing and leasing more than offset the decline in motor retail volume as compared with 1959, the company's annual report notes.

Earnings of the finance subsidiaries for 1960 amounted to $16,704,890, compared with $14,670,375 the year previous. Fleet leasing outstandings showed a growth of 30.7 per cent. Industrial leasing and financing, started a little over a year ago, had volume in 1960 of $58,915,430.

Written premiums of insurance subsidiaries in 1960 rose to $40,857,351, from $33,952,737 the year before. American Credit Indemnity Company wrote the largest annual dollar volume in its history. The increase to a great extent was the result of a new type of policy on merchandise shipped.

Invisible, Intangible, Essential, Sound Credit Controlled Power

(*Concluded from page 18*)

ices. If you accept it, in what quantity and under what terms?

Tomorrow when you deal with credit try thinking of it as an invisible, intangible, substitute for cash which your customer offers in exchange for merchandise or services. You must evaluate it to determine if it is worth as much as what you give. Never forget it is a power which can bless mankind if wisely used and controlled, but can be dangerous and damaging if abused.

Cut Gold Reserve Requirement To 15%, McCracken Proposes

Reduction of the current gold reserve requirement of the Federal Reserve System to 15 per cent, from 25 per cent, is advocated by Paul W. McCracken, Ph. D., The University of Michigan.

Dr. McCracken will address the NACM's 65th Annual Credit Congress at Denver in May.

Guides to Improve Executive Operation

KEEPING INFORMED

Representatives of investment underwriters, commercial banks, and commercial finance and factoring companies participated in a panel discussion of "Financing the Growth Company" at the annual convention of the National Commercial Finance Conference, Inc. A 23-page report of the panel presentation is available at $10 a copy. Write William J. Drake, executive vice president, National Commercial Finance Conference, Inc., 29 Broadway, New York 6, N.Y.

CHANGE AND GROWTH — Manual issued to banks by American Express Company forecasts $36 billion annual market for travel in this decade, notes possible effects of this spending on banking. To help banks obtain their share of the travel market, American Express has designed and produced a complete program of 30 advertising and sales promotion materials, including literature for distribution to the banks' customers.

TECHNIQUES OF MIMEOGRAPHING — 60-page basic handbook has special sections for mimeograph operator, typist and artist, tells how to prepare and run stencils to eliminate waste, which stencils to use for illustrative material. Maintenance tips and operating techniques are included. For copy of this book and the 16-page "Mimeograph Supplies Selector" send 25¢ to cover cost of postage and handling to: A. B. Dick Co., Dept. 76P, 5700 Touhy Ave.. Chicago 48. Ill.

GUIDE TO AMERICAN DIRECTORIES, 4th ed., 1960, contains information on over 2,300 U.S. and foreign directories. 380 pages; hard cover, $20. For details, write B. Klein & Co., 27 East 22nd St., New York 10.

Informative reports, pamphlets, circulars, etc., which may be of interest to you. Please write directly to the publisher for them. CREDIT AND FINANCIAL MANAGEMENT does not have copies available.

To expedite receiving booklets described below in this column, address all inquiries concerning Efficiency Tips to CREDIT AND FINANCIAL MANAGEMENT, 44 East 23rd St., New York 10, N. Y.

EFFICIENCY TIPS

907—New, fast method for making plastic transparency from almost any document, for projection, using 3-M Copying Machine and an overhead projector, is described in literature of Minnesota Mining & Manufacturing Co.

▼

908—"Orders Filled, Invoices Mailed Same Day" is title of Charles Bruning Co. brochure outlining Copyflex paperwork procedure designed for wholesalers.

▼

909—Acme Visible Records' booklet covering rotary file systems designed to improve customer service and increase efficiency within bank departments is available free. Write us.

▼

910—Faymus Foam hand cleaner for removing hand dirt and stains quickly, without water, is described in literature of Bankers & Merchants, Inc.

▼

911—"Flash-Seal" adhesive envelopes are said to stay unstuck and uncurled no matter how long stored, to feed perfectly into inserting and mailing machines. Literature available.

▼

912—Literature describes new automatic "SE-77F" automatic Stapling Machine of Staplex Co.

▼

913—"Accounting for Fire and Casualty Insurance Agencies" brochure outlines customized electronic data processing facilities of Service Bureau Corp. (sub. IBM Corp.) for production of accounting reports, statistics for agencies.

BOOK REVIEWS

COMPANY GIVING—By Leo J. Shapiro, Ph.D. 155 pages. 60 charts. $5.75. Survey Press, 814 North Michigan Ave., Chicago 11, Ill.

• While corporate philanthropy has increased 1,200 per cent in two decades, only about 10 per cent of 500 companies in a study by the Chicago Chapter of the Public Relations Society of America had a formal giving policy, though some had up to 2,000 requests in a year, says the president of the research organization bearing his name. After a discussion of problems, responsibility, companies' handling of requests and selection of causes to be aided, the author suggests: decide you are a contributor, determine policies and implementation, then decide whom you will tell about them.

Also Recommended

RIGHT HAND MAN, limning the life of George W. Perkins, is a delightfully informative biography of a brilliant figure of the high finance chapter of the early 1900s in American business and politics. In a close-in study of the insurance executive, Morgan partner, Theodore Roosevelt associate in the Progressive party, the author, John A. Garraty, makes both the period and the central character of his work live anew. 433 pages. $7.50. Harper & Brothers, 49 East 33d St., New York 16, N.Y.

YOUR HEART. "a handbook for laymen," is well worthwhile reading for businessmen, as informative, professional yet simply and sympathetically expressed discussion of a subject more and more widely presented in voiced and printed word. The author, H. M. Marvin, M. D., former president of the American Heart Association, describes, with glossary, the many variants of heart irregularities and diseases and how to guard against them. 335 pages. $4.50. Doubleday & Company, 575 Madison Ave., New York 22, N.Y.

Books received or mentioned in this column are not available from CREDIT AND FINANCIAL MANAGEMENT unless so indicated. Please order from your bookstore or direct from the publisher.

Modernizing the Office

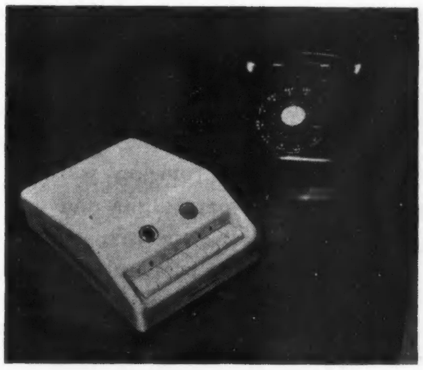
New Equipment to Speed Production and Reduce Costs

S-C-M Typetronic ➡

776 To speed and simplify the preparation of business documents requiring calculation, SMITH-CORONA MARCHANT INC. offers the compact "Typetronic 6615", fully transistorized electronic computer with typewriter input-output, which is said to handle data heretofore requiring a more complex system. S-C-M's President Emerson E. Mead (illustration) shows 16x5½" plastic (mylar) program card which is used for automatic programing control. Calculations and results are printed automatically.

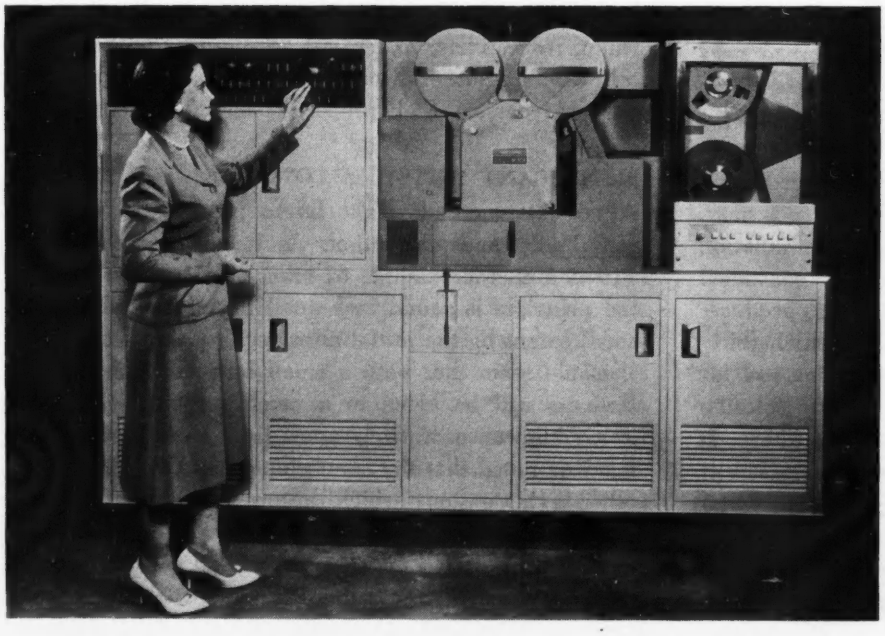
Personal Call System

778 To answer need for pocket paging system in smaller plants, offices and stores, MULTITONE ELECTRONICS, LTD. offers fully transistorized call system with battery-operated "baby" transmitter weighing only 3 lbs. as the nucleus. Coverage of system varies from 40,000 to 300,000 sq. ft., depending on layout. The 15-channel setup provides either speech or private coded signal for a total of 15 personnel carrying 5-oz. pocket receivers. Attractive styling, low operating cost are other features stressed by maker.



Speedy Retrieval-Reference for Business Systems

777 Linking the speed of photographic recording with the speed of computer output, new Recordak DACOM System (DAtascope Computer Output Microfilmer) developed by the Eastman Kodak Company subsidiary, converts information from magnetic tape into plain language on microfilm at speeds up to 20,000 characters per sec. Eliminating mountainous records, each 4"x4" magazine will hold 100 ft. of 16mm. DACOM microfilm, equivalent to eight 2,400 ft. reels of magnetic tape, with retrieval of any item in less than 15 sec. according to maker. Applications include premium and utility billing, merchandise control, accounts receivable. Any desired background format, such as statement, bill or accounting forms, may be optically combined for reproduction of data in final form.



Most Banks Now Preparing For Electronic Check Sorting

Check encoding is moving ahead rapidly, according to a survey by the twelve Federal Reserve Banks and their 24 branches, which shows that over half the country's banks and branches have begun to prepare their checks for handling by electronic check sorting equipment. One check in five already bears the magnetic ink characters that were devised by the American Bankers Association.

This department will welcome opportunities to serve you by contacting manufacturers or wholesalers for further information regarding products described herein. Please address MODERNIZING, Credit & Financial Management, 44 East 23rd St., New York 10, N.Y.

New Depreciation Allowances Palliatives, Not Cures: Polk

(Continued from page 14)

others. It is believed that the Congress in its wisdom may well adopt a combination of medicines rather than a single ingredient remedy. However, each of the proposals commented on may well be sound in and of itself; and certainly each has advantages far beyond the existing system. One goes to basis price level adjustment; another cures classification and life estimate defects in the existing system; one is directed to the elimination of the future salvage and discardation guesses; and finally, the capital gain allowance is conformed to the overall pattern.

It is most important to recognize that each is an improvement over the existing system. Each is a road towards truly incentive depreciation provisions. And with the initial caveat that the approval of one is not therefore the disapproval of another in whole or in part, it is believed that all the proposals should be indorsed by industry.

I will take up these provisions in the order in which I have enumerated them.

BASIS PRICE LEVEL ADJUSTMENT

THE first proposal is for a *basis price level* adjustment, and it is inherently simple. It is important to note that it does *not* disturb book records or accounting methods reflected in the taxpayer's accounts. If the taxpayer's books reflect straight-line recoupment of cost they are left intact. The provision is, of course (as with the present sum-of-years digits and declining balance methods), elective, and the taxpayer is not forced into the benefits which the proposal envisages.

This basis price level adjustment recommendation proposes that the cost (or basis) by vintages (years of acquisition) be restated to present values by application of a Treasury-prescribed index reflecting price level changes to the vintage costs (or basis); that prior depreciation allowances (however computed) be deducted therefrom; and that the balance be spread over the remaining lives under whatever system the taxpayer consistently adopts. The amount allocable to the current year would be that year's depreciation allowance.

This can be done on a record totally divorced from the regular books of account. It is done afresh each year. It is thus essentially simple; it compensates for inflation or deflation; it equates the dollars of plant consumed with the dollars of revenue received; and it thus produces a statutorily defined "Taxable Net Income" which fairly and factually constitutes an equitable measuring rod for the levying of a tax on all taxpayers. It offers a solution to the problem which does *not* handicap the future. It does *not* borrow from Peter to pay Paul. It no longer equates a 50-cent dollar of receipt with a 100-cent dollar of plant consumed. It overcomes the present inequitable tax burden on those taxpayers holding depreciable assets. It will meet the incentive and economic goals sought. The funds so generated will aid in the financing of replacements and will constitute an incentive to plant modernization and expansion. And the taxes generated by these activities will tend to offset any loss in revenue caused by the increased depreciation deductions.

THE CANADIAN SYSTEM

THE SECOND general proposal is patterned after the Canadian system. It contemplates the grouping of all depreciable property into relatively few brackets. Each bracket would be assigned minimum and maximum lives which would be shorter than the present Bulletin F lives. Property in a bracket could be depreciated over any span within the minimum and maximum assigned to the bracket in which the asset falls. Such a system eliminates the administrative horrors of life estimates. From all that can be learned, such a system has worked well and smoothly in Canada and has produced economic advantages of the first order. H. R. 13132, introduced in the last session of Congress by Representative Howard H. Baker, illustrates this type of proposal.

Of course this method can be combined with the basis price level adjustment so as to overcome the administrative difficulties which are inherent in life estimate systems, and compensate for the decline in the buying power of the dollar at the same time.

SHORT-TERM WRITE-OFF PERIODS

A THIRD proposal is addressed to the adoption of statutorily designated short-term write-off periods. If the write-off periods are short enough the economic aims are achieved, and of course with fixed periods the administrative problems inherent in life estimate methods are obviated. Thus two objectives of depreciation revisions are attained.

This approach is really an extension of the familiar 5-year accelerated amortization techniques which were successfully used in World Wars I and II, and in the Korean action. A limited example of this type of proposal is contained in S. 3765 and H. R. 7217, introduced by Senator Vance Hartke and Representative Herbert Zelenko, respectively, in the last session of Congress. This bill would allow railroads to depreciate rolling stock over 15 years, and all property over 20 years.

SIGNIFICANT INITIAL ALLOWANCE

A FOURTH method might be to provide a significant initial allowance deduction. As it now stands, section 179 is a classic example of "too little and too late." If the principle is sound and small business is aided to a small extent by the initial allowance provision *a fortiori*, it would seem that both a small business and a bigger business will be aided to a much greater extent by a larger allowance. Entirely apart from such mere theorizing it is noted that the commentators on the British and other taxing systems which do provide substantial initial allowances agree that this is so.

Of course, just as the statutorily fixed period provision would put to rest the administrative problems inherent

in life estimate methods, the initial allowance approach puts to rest the same problems as to the amount initially allowed as a deduction. Also, this significant initial allowance method can be combined with any of the other proposals. It has been so combined with bracket groupings of other countries—and under section 179 it is now combined with our present methods.

SALVAGE RECOVERY

There is another area which desperately needs correction. I refer to the elimination of the wholly unsatisfactory requirement that salvage recovery and discardation costs which will develop upon the retirement of property many years hence must be estimated at the time the assets are acquired.

Present practice adheres rigidly to the theory that the amount that should be recovered over the life of depreciable properties is the net cost to the taxpayer which, of course, is the gross cost less the net amount of salvage recoveries which will be obtained at the time of the ultimate discardation of the properties.

The costs of removal and retirement are primarily labor costs. And estimates of labor costs many years hence cannot be based with any degree of certainty upon the trend of labor costs up to the time of purchase. Similarly, it is almost impossible to forecast for medium period and long period property the gross value of the salvage recoveries.

All in all, therefore, it appears sensible to base the annual allowance on the gross cost without regard to salvage and removal expectancies, and to reflect the actual amounts of salvage receipts and the actual expenditures for removal costs in income in the year of discardation. This simplification of the depreciation deduction allowance will probably not have any significant bearing upon the Treasury revenue, and will remove vast areas of disputes which arise under the existing procedures. Accordingly, it is expected that Congress will adopt legislative provisions to permit depreciation to be based upon gross figures and to require reporting of salvage and removal costs in the year of the discardation of the property.

CAPITAL GAINS PROVISIONS

THE FINAL proposal deals with conforming the capital gains provisions to the above recommendations. From my personal observations at the time of the hearing before the ways and means committee, I am quite sure that legislation will be adopted to remove the capital gains limitation in respect of depreciable property. It will be recalled that the Eisenhower administration sponsored such legislation and argued that its adoption would lead revenue agents to be more liberal in depreciation disputes.

The provisions of section 1231 of the Internal Revenue Code are easily justified under the present law. In the first place, they have a compensating effect in the light of the decline in the buying power of the dollar and the peaking of incomes under graduated surtax rates, and secondly, even as to corporations where the tax rate is not graduated, they give relief from the fluctuation in the purchasing power of the dollar.

Now it appears to me, from the discussions at the Congressional hearing, that if the Congress adopts legislative proposals which afford relief from the decline in the purchasing power of the dollar, however this be achieved, they will remove the capital gains limitations as to depreciable property presently contained in section 1231.

As to most businesses, this is not an exorbitant price to pay for the liberalized depreciation provisions. I do not believe that business has any vested right in a capital gains limitation, and I think that business when it urges liberalized depreciation should be forthright in indorsing the removal of the capital gains limitations in respect of depreciable property presently contained in section 1231.

This point should be weighed and understood by the individual industry representatives when they urge, before the Congress, the adoption of "realistic incentive depreciation" provisions.

Silverman for 40 Per Cent Write-off First Year, 100% in Three Years

Adoption of a policy on depreciation that would permit 40 per cent write-offs in the first year of life of new or used equipment, and 30 per cent write-offs in each of the following two years, is recommended by Herbert R. Silverman, president of James Talcott, Inc.

According to some estimates, he told the New School for Social Research, "the cost of replacing old machinery and equipment in this country exceeds depreciation allowances by $5 to $8 billions a year."

U. S. Supreme Court Ruling Restricts Deduction Claims

Restricting the tax deduction for depreciation that companies may claim on equipment and other capital goods used for less than their actual physical life was a U.S. Supreme Court decision last fall that the "useful life" of a depreciable item is the period of use by the taxpayer, not the physical life of the equipment. Some lower courts had ruled for the taxpayer, in holding that useful life and physical life are synonymous.

Companies' recovery of cost derives almost entirely from depreciation deductions, because they generally use equipment as long as practicable, leaving little salvage value.

The Supreme Court opinion primarily affects car-rental agencies, because of frequent replacements, and auto dealers, selling demonstrator or socalled company cars after brief usage.

Two Studies on Handling of Accelerated Depreciation

TWO studies of depreciation, one a survey of current practices, the other on the accelerated depreciation "dilemma", appear in the February issue of *The N.A.A. Bulletin*, monthly publication of the National Association of Accountants.

Adjustment to constant-base computation would provide undistorted figures for comparing period with period, plant with plant, division with division, often required in decision-making, while retaining differing methods of depreciation for other purposes, writes Stephen B. Achter, division controller, Roofing Granule Division, Minnesota Mining and Manufacturing Company, St. Paul.

Mr. Achter points out that choice of method or methods may affect the profit picture to the point of non-comparability, and that changing depreciation methods may also affect profit pricing, profit-sharing plans, earnings per share of stock, and dividend policy. Despite problems created, however, accelerated depreciation does serve a purpose in that the faster an asset is depreciated in its early life, the faster the invested cash is recovered.

THE ACHTER PROPOSALS

MR. ACHTER suggests these possibilities for working out methods of handling problems arising from accelerated depreciation:

1. Separate excess depreciation from "normal" in the accounts; show only normal depreciation in regular operating statements but include excess depreciation in company statements for tax purposes.
2. Separate excess depreciation from "normal" in the accounts; show all depreciation in regular operating statements and the tax return and, when required, recalculate statements to exclude excess depreciation.
3. Show all depreciation in regular operating statements and the tax return, but make further calculation of cash returned. "This does not require a separation of excess versus 'normal' depreciation, but the separation may be advisable."

Mr. Achter calls Method 1 the best choice for most purposes, Method 2 the choice if management is primarily concerned with statements containing all depreciation in the figures, Method 3 the choice if management is primarily concerned with cash return.

Since "most businesses make their long-range plans on a cash-returned less cash-disbursements basis (the cash forecast), why then," he asks, "should we not keep the monthly, quarterly or yearly records on the same basis?"

Historically the 1954 Internal Revenue Code, acceding to requests of industries that a greater proportion of depreciation on an asset be deductible in the earlier years of its life, authorized methods of computation additional to the straight-line method: 200 per cent (or double) declining balance, sum-of-the-years-digits method, and any other consistent method which, in the first two-thirds of the useful life of the asset, does not write off more than would have been written off in the same period of time under the double declining balance.

THE CARR CONCLUSIONS

ROBERT L. CARR, assistant controller of Belden Brick Company, Canton, Ohio, reports on a University of Ohio graduate work study he made of the current impact of the 1954 Code and the Small Business Tax Act of 1958 on the depreciation account of 158 corporations in diversified lines of manufacturing.

The 1954 Code and the 1958 Small Business Tax Act have influenced greatly the accounting for depreciation and taxes of the corporate taxpayer, writes Mr. Carr, then proceeds to report the directions taken to benefit from the advantages offered. He mentions a 1960 survey by the Controllers Institute Research Foundation, Inc., which indicated that 75 per cent of participating companies were using the newer depreciation methods.

The Small Business Tax Act of 1958 provides that new or used tangible personal property acquired after Dec. 31, 1957, having a remaining useful life of not less than six years and on a cost of not more than $10,000, may be depreciated at 20 per cent during the first year, in addition to the regular provision for depreciation. Only 10 per cent of companies in Mr. Carr's own study had declined to use the accelerated methods, at least partly, for tax purposes.

Highlight conclusions from this survey include:

1. A portion of taxes ordinarily due is paid later, and this difference in time has a cash value. Too, assuming that regular replacements of assets are made due to deterioration, a permanent tax savings may result because part of the deferred federal income tax may never be paid.
2. Following subsequent sale of the depreciated property, the taxable capital gain will be increased by the amount of the increased depreciation.
3. Though the maximum benefit that could accrue to the companies queried would be 52 per cent of 20 per cent of $10,000 or $1,040, many relatively large companies "reached in" under the 1958 Small Business Act to obtain the special deduction on first-year depreciation.

The easiest solution to the problem of increased number of items necessary to reconcile public reports and tax returns, when accelerated depreciation has not been used for both purposes, says Mr. Carr, would be for companies to use the accelerated depreciation for public reports also. He suggests that companies such as public utilities, to which that solution would not be permitted, credit accrued depreciation applicable to such assets in recognition of the future loss of deductibility for income tax purposes, an alternative recognized as acceptable.

How Computation Methods Affect Income Statements

(Continued from page 13)

property described under the declining-balance method. This is a sort of middle-of-the-road approach, in that the early years depreciation isn't quite as high as under the declining-balance method nor as low as would be taken under the straight-line method.

It has long been my personal feeling that, as the straight-line method owes its popularity to simplicity, so also does the sum-of-the-years-digits method owe its relative unpopularity to its complexity.

Depreciation under this method is computed by applying to the cost a fraction having as numerator the remaining life of the property and as denominator the sum of all the years digits corresponding to the life of the property. Using the above example the denominator would always be 15 $(1 + 2 + 3 + 4 + 5 = 15)$ and the first year depreciation would be $1,666 ($5/15$ x $5,000). The second year would be $4/15$ x $5,000, the third year $3/15$ x $5,000, and so on.

Using the same example as before, perhaps this comparative tabulation will help summarize the varying results obtained through the use of each method.

	Straight Line 20%	Sum of the years-digits	Double Declining-Balance 40%
1st year	**$1,000**	**$1,666**	**$2,000**
2nd year	**1,000**	**1,333**	**1,200**
3rd year	**1,000**	**1,000**	**720**
4th year	**1,000**	**666**	**432**
5th year	**1,000**	**335**	**259**
Total	**$5,000**	**$5,000**	**$4,611***

*The undepreciated balance of $389 could represent the salvage value (which we actually aren't considering here) or could possibly be written off in the 5th year if the truck were abandoned.

One other depreciation factor that is relatively new is the *additional first-year 20 per cent depreciation allowance* on any taxpayer purchase (excluding real property), in addition to the regular depreciation on the balance. The property must have a remaining useful life of at least six years and the deduction must be made in the year purchased. The deduction is limited to the extent of $10,000 of cost ($20,000 on a joint return). Therefore the largest deduction a corporate taxpayer could obtain would be $2,000.

EFFECT ON INCOME STATEMENT

HAVING reviewed the basic methods involved in computing depreciation, what might be the effect of depreciation on the income statement? Perhaps the following extreme example will show the problem which might be presented to the banker or credit official.

	Contractor A	Contractor B
Income from Contracts	**$1,000,000**	**$1,000,000**
Less: Labor and Materials	**900,000**	**890,000**
Gross Profit	**100,000**	**110,000**
Less: Administrative Expenses	**60,000**	**50,000**
Depreciation	**20,000**	**40,000**
Total	**80,000**	**90,000**
Net Profit before Income Taxes	**$20,000**	**$20,000**

Let us assume that Contractors A and B started in business at the same time with the same amount and type of equipment. In the first year they both did the same amount of business and made the same profit. Or did they? I think those who feel that the work of a banker, creditman or accountant is without imagination, flexibility or challenge might say yes. But the trained financier is immediately impressed with Contractor B. His gross profit ratio is better, indicating more capable field supervision, scheduling and buying.

His overhead is lower, possibly reflecting efficient office management. The reason for the equal profits, of course, results from the depreciation charge, with Contractor B using the double-declining balance method as against Contractor A's straight-line method. It may well be that the profits of both contractors are either overstated or understated. However, the point I would like to make here is that an understanding of the depreciation allowance will help the banker reach an intelligent conclusion concerning the financial and credit position.

CONCLUSIONS

IN SUMMARY: the depreciation allowance is a difficult problem because it is only an estimate, and then, to top it off, this estimate is calculated by varying methods. Our investment analysts here at Delaware Management Company, when reviewing the merits of prospective portfolio purchases for Delaware Fund and Delaware Income Fund, are keenly aware of this condition. Where the depreciation allowance is a material item they are quick to follow through with a detailed analysis. The banker, likewise, must direct attention to this subject.

The future offers an additional challenge in that the new administration, powerful economic forces and international pressures will combine to further influence money policies. We must be alert to the effect of this ever-changing pattern on depreciation policies.

DEPRECIATION FACTOR IN FINANCING

"The major portion of financing for larger corporations comes through depreciation allowance, retained earnings, and special arrangements for intermediate and long-term financing, so that even the traditional capital market is feeling the effect of this change," Casimir A. Sienkiewicz, president Central-Penn National Bank, Philadelphia, told the 13th national credit conference of The American Bankers Association, in Chicago.

"Banks more and more are being driven into innumerable retail types of services rather than being the primary suppliers of funds as in the past."

Most Would Expand Plant, U.S. Treasury Study Shows

BUSINESS is for the most part unhappy over present tax allowances on depreciable property. Most companies want more freedom of determination of "useful life" of depreciable assets. Most would increase their capital spending if the allowances were liberalized.

These conclusions are clearcut from responses of 1,918 large companies and 1,177 small concerns in a U.S. Treasury Department survey in cooperation with the Small Business Administration, a preliminary report shows. This report covers replies of 71 per cent of the large companies canvassed and one-sixth of the small. (The questionnaires to the latter were mailed later.)

Of the large corporations, 63 per cent called current allowances unsatisfactory, as did 42 per cent of the small businesses, and more than 80 per cent in each category suggested ways to make improvements.

Seventy per cent declared that, because of changes upward in price levels, it cost more to replace depreciable property than they had been permitted to claim in write-offs. More than 60 per cent of the 3,000 companies felt that write-offs are stretched out over too many years. Too, most said they would be willing to pay higher taxes on certain kinds of equipment if they were allowed wider latitude in calculating tax deductions for depreciation.

More than 50 per cent of those offering suggestions called for free determination of "useful lives" of property and free choice of depreciation methods.

Allowances for rising price levels were sought by one-fourth of those responding in each group. Three-fourths of the large corporations suggested revision to permit a company to place depreciation claims on original cost adjusted to price change. More than half of the small concerns favored annual adjustments to cost.

In the area of reinvestment, one-fifth of the large companies, and one-third of the small, asked deduction of differences between original cost and replacement of a retired item at the time of replacement, with parallel reduction of the basis of depreciation on the new item.

If depreciation restrictions were lightened, a large overall majority (73 per cent of large companies, 63 per cent of small) said they would agree to forego the advantage of capital gains treatment of profits from sale of depreciated property. And, granted more satisfactory allowances, 86 and 93 per cent respectively would stand ready to conform their book and tax accounting.

As for expansion, 65 per cent of the big concerns and 59 per cent of the smaller indicated that liberalization would "materially influence their investment decisions in a manner which would increase their capital expenditures."

The double declining balance, one of the depreciation computation methods added by the 1954 Internal Revenue Act, is used by almost two-thirds of the large companies, by 57 per cent of the small. Of the lesser firms, 37 per cent are taking advantage of the special 20 per cent first-year allowance on the first $10,000 of capital expenditures under the Small Business Tax Act of 1958, and 22 per cent of the large concerns also are doing so. Seven out of ten of the latter and more than half of the small companies responding are using one or other of the new methods.

Would Expand Plant

MOST businessmen stand ready to expand their plant and equipment facilities if federal tax allowances for depreciation are liberalized, replies indicate in preliminary findings from a survey by the 30,000-member Research Institute of America, Inc. The questions asked were the same as were presented by the U.S. Treasury Department in a study of a lesser number of corporations and small businesses.

Congress Study Is Likely: Journal of Accountancy

DEPRECIATION problems are very likely to receive consideration in the 87th Congress, said The Journal of Accountancy (January issue) under the heading "Outlook for Federal Tax Revision".

"Just before (the 86th) Congress adjourned, a bill was introduced to provide for a bracket method of depreciation (H. R. 13122)," the writer points out. "If such a law were to be passed, all property would be divided into not more than 20 classes with a range of useful lives prescribed for each class by the Treasury Department. The Section of Taxation of the American Bar Association will recommend approval of the bracket method. . ."

He quotes President Kennedy's statement that "wherever we can be certain that tax revision, including accelerated depreciation, will encourage the modernization of our capital plant—and not be a disguise for tax avoidance—we should proceed with such revision."

TAX REFORM POTENT STIMULUS

Tax reform, "given a background of fiscal responsibility, is the most potent of all economic stimuli"; for example, a major factor in the dramatic prosperity achieved in a relatively short time by Germany "has been the freedom which corporations have enjoyed to charge depreciation reserves to earnings as they saw fit", concluded the federal taxation committee of the Investment Bankers Association of America, in a convention report.

"This has provided at one time both the incentive to build new and efficient plant and a large part of the means of financing it."

Walter Maynard, partner in Shearson, Hammill & Co., New York, headed the committee.

Economist McCracken Will Address Convention; Panelists Will Discuss Insolvencies and Fraud

ONE of the nation's best known and most distinguished economists will address delegates and their guests attending the 65th Annual Credit Congress in Denver on Thursday, May 18, a highlight of the five-day convention. Now professor of business conditions at the University of Michigan's School of Business Administration, Dr. Paul W. McCracken recently concluded four years of service as a member of the President's Council of Economic Advisers in Washington.

His topic will be: "A Policy for Prosperity in the '60s."

Not long ago, Dr. McCracken said, "I think there is too much talk about the desirability of an expanding economy, and too little talk about how to achieve it." In Denver, he will undoubtedly balance with his own realism the wishful thinking he decries.

He comes to the NACM 65th anniversary convention well prepared to make a major speech, with a broad background in management consulting, business education, and government.

Following his graduation from William Penn College, Oskaloosa, Iowa, he earned both his M.A. and Ph.D. in economics from Harvard University.

From Teacher to Economist

His educational career began with the teaching of English at the Foundation School of Berea College in Kentucky. During 1942-1943, he left education for government service as an economist in the U. S. Department of Commerce in Washington. In 1943, he joined the Federal Reserve Bank of Minneapolis as financial economist and director of research, leaving this assignment for an associate professorship at the School of Business Administration, University of Michigan. He was appointed professor of business conditions in 1950, a post he has held since. Under leave of absence he served in Washington in the Eisenhower Council.

Dr. Paul W. McCracken

He is the author of numerous articles and papers, including discussions of monetary and fiscal policies, debt management, credit control, taxation and economic growth, the role of the Council of Economic Advisers in government and, recently, "The Issue of Vigorous Growth versus Price Level Stability." With Allan Sproul and Roy Blough, he coauthored the "Report to the President on the Current Economic Situation and the Balance of Payments" in January 1961.

He is a member of the American Economic Association, American Finance Association, American Statistical Association, and the Royal Economic Society. In addition to these professional affiliations, he is active in church work, chairman of the Research Advisory Committee of the Committee on Michigan's Economic Future, director of the Ann Arbor National Bank & Trust Co. and of Group Securities, Inc., and a private consultant to a number of corporations.

His business, educational, and government experience promise convention delegates a memorable address, filled with facts and insights of value to every credit and financial executive for his own understanding of the economic environment in which he makes daily decisions.

Another major convention program development has been the organization of a distinguished panel to discuss "What You Should Know About Insolvencies and Fraud." The panel, scheduled for Monday afternoon, May 15, has as its members a banker, an attorney, two credit managers, and two association executives.

The Panel Members

Member of the NACM board of directors, panelist J. C. Osborne is vice president of the Trust Company of Georgia, Atlanta. A member of the NACM for 29 years, Mr. Osborne has been president, vice president, and a long-term director of the Georgia Association of Credit Management, Inc. He received his education in New York City at Pace School of Accounting, Columbia University, and New York University. He has also been NACM legislative chairman.

To represent the legal viewpoint, the panel will include Harry A. Margolis, attorney, a member of the New York law firm, Hahn, Hessen, Margolis and Ryan. Mr. Margolis is widely known as a practicing attorney in this field, representing creditor interests.

The association participation will include Mortimer J. Davis, secretary-treasurer of the New York Credit Men's Adjustment Bureau, Inc. Mr. Davis was elected to this new position last October, when he retired as executive vice president of the affiliated New York Credit & Financial Management Association. He is a former special agent of the F.B.I. and a recognized specialist in the application of civil and criminal statutes covering insolvencies and frauds.

Mr. Davis is a member of the National Bankruptcy Conference and a past president of the Former Special

Agents of the Federal Bureau of Investigation, Inc.

Another association executive who will be a panel member is John H. Neiman, secretary-treasurer of the Iowa Unit, National Association of Credit Management. Within the past year, the Polk County Bar Association honored him by electing him to its presidency, after his service for two years as treasurer and for one year as vice president. He is also a member of the American and Iowa State bar associations. Like Mr. Davis, he has been a special agent of the FBI, on leave of absence from the association from 1942 to 1946.

Credit management will be represented on the panel by Elmer M. Kroening, credit manager, Allen-Bradley Company, Milwaukee, and currently chairman of the National Fraud Prevention Committee, and F. M. Hulbert, general credit manager, The Procter & Gamble Distributing Company, Cincinnati.

A NACM director, Mr. Kroening will be chairman of the panel on insolvencies and frauds. Member of the NACM for 25 years, he has held committee assignments locally on every association committee, and has held every office in his local association. He has attended every NACM convention since 1937.

Also representing the credit fraternity's point of view will be Mr. Hulbert, 1958-59 NACM vice president, Central Division. Mr. Hulbert joined Procter & Gamble in 1929 and, after seven years in various branches, became assistant manager of the credit division of the general office. A sports enthusiast, Mr. Hulbert played pro basketball for several years after being graduated from Lawrence College in Appleton, Wis. He played baseball, basketball, and football in high school and college.

Denver industrialist, Cris Dobbins, president of the Ideal Cement Company, will address the Credit Congress Wednesday morning, May 17. His topic: "Economic Conditions—How They Affect Credit Management."

Scheduled for the same afternoon as the fraud and insolvency panel, the bank-mercantile cooperation panel will use a "case history" approach in its presentation. Plans are to base the panel presentation on typical letters of credit inquiry to and responses from banks, illustrating both "good" and "bad" types of approach, differing credit situations, and various sizes and types of banks. The "cases" will serve as a foundation for conclusions or recommendations reached by the panelists after discussion of "Credit Inquiries—What Do Banks Tell You?"

Two changes have been made in the personnel of the panel. Replacing G. Kenneth Crowther, vice president of the Morgan Guaranty Trust Co. and president of Robert Morris Associates, will be Preston V. Henley, assistant vice president of The United States National Bank of Portland, Oregon. Ted B. Hendrick, president of Collins Dietz Morris Co., Oklahoma City, will serve in place of Paul J. Viall, past NACM president. Mr. Hendrick was NACM vice president, Southern Division, 1957-58 and was a director 1946-49.

Moderator of this panel, R. A. Larson, credit manager of American Seating Company and presently chairman of the National Committee on Cooperation with Robert Morris Associates, combines banking with credit management experience. After graduation from Iowa State College, he joined the Continental Illinois National Bank and Trust Company of Chicago. In 1951, he became associated with American Seating Company as assistant credit manager, and was promoted to his present position in 1956. In addition to credit manager, Mr. Larson is assistant secretary and assistant treasurer of his company. He is serving a second term on his local association board of directors, and is second vice president.

CONVENTION ENTERTAINMENT

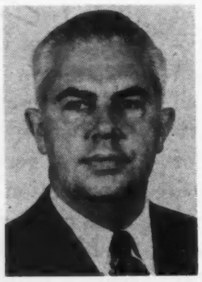
Three evenings of entertainment have been planned to balance the convention's serious business programs. For the President's Ball on Monday, May 15, Paul Neighbors' orchestra has been engaged. On Sunday evening, May 14, the Colorado Cavalcade will feature 60 Koshare Indian Dancers, whose unique story was told in the February issue of *Reader's Digest* magazine.

Rocky Mountain Varieties will be the Wednesday evening feature. It stars pop singer Joanne Wheatley, who has recently appeared at New

(Concluded on page 40)

Their Panel Subject: "What You Should Know about Insolvencies and Fraud"

E. M. KROENING



J. C. OSBORNE

M. J. DAVIS

F. M. HULBERT

J. H. NEIMAN

PROGRAMS OF NACM INDUSTRY GROUP MEETINGS

By ROGER C. GIFFORD

Credit Manager

Ready Mixed Concrete Co., Denver

General Chairman

Industry Meetings Committee

WHETHER or not business by convention time has shed its hesitance and, reclothed in complete confidence, is stepping forth toward new records, credit management will quick-time its exchange of overall and specific knowledge for operational advancement at the Industry Group meetings in Denver.

Programs for May 16th—Industry Day at NACM's 65th Annual Credit Congress—give evidence of far-seeing and practicable preparations by the individual Group committees.

Open forum discussions, drawing on situational experiences, have an especially prominent place on the agendas this year, to complement formal addresses by members and guest speakers.

Read the following for the Group programs of immediate interest to your company operation—and make certain you will be there to participate. It's *your* opportunity.

ADVERTISING MEDIA

Morning session: Three open forum discussion periods; one formal talk.

First open forum subject: "How Can the Credit Department Best Help the Sales Department in the Promotion of Sales—Marginal Accounts—Methods of Reducing Old Accounts While Selling Currently". Discussion leader: Gilbert W. Sites, The Times Mirror Co., Los Angeles.

Second open forum subject: "Communications—Between Credit and Sales Departments; (a) Objectives; (b) Existing Situation; (c) Communication Problems; (d) Correction of Problems; (e) Follow-up." Discussion leader: Lou Cherbeneau, Denver Post.

Third open forum subject: "Special Problems in Radio and Television: Recognition of Local Advertising Agencies; One Account Agencies—(House Agencies.") Discussion leader: Royce Nation, K.O.A. Radio & TV, NBC, Denver.

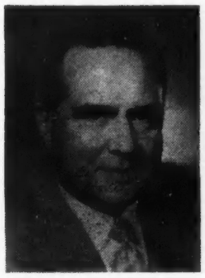
Talk: "Your Credit Association," W. L. Haney, Chicago-Midwest Credit Management Association, Chicago.

Afternoon: First open forum topic: "Transient Billings and Collections; (a) When Is First Billing Made? (b) Are Reminder Notices Used?; (c) How Many Notices Are Sent on One Time Accounts?; (d) Does Each Bill Show Actual Amount Owing?" Discussion leader: L. F. Sullivan, Des Moines Register & Tribune.

Second open forum discussion leader: V. R. Weberg, Rocky Mountain News, Denver. Topics: (1) "Amount Control"; (2) "Credit Limits?—If So How Do We Arrive at Amount? Who Has The Responsibility of Not Going over Limit?"

Meeting will conclude with a general discussion period—"What's on Your Mind?"

Industry Luncheon at 12:30. Guest speaker: Robert Stapp, Colorado Motor Carriers Association, Denver. Subject: "Credit Cards Wild".



G. W. SITES

V. R. WEBERG

AUTOMOTIVE

Opening presentation: "The Credit Man of the Future," H. L. Ward, general credit manager, Gates Rubber Co., Denver.

"Credit-Sales Department Cooperation," Alvin H. Tanner, credit manager, Harts Automotive Parts Co., Chattanooga, and J. William Foster, sales manager, Foster Auto Supply Co., Denver.

Discussion period will follow each presentation.

Afternoon session: Two talks and an open forum discussion period.

Talks: "The Value of Check Interception and Problems of Cash Forecasting," H. L. Ulkloss, Jr., assistant treasurer, The Electric Storage Battery Co., Philadelphia.

"Your Credit Association and What It Can Do for You," Frank Hohman, Detroit Association of Credit Management.

Open discussion period: Moderator: Robert D. Olson, assistant secretary-treasurer, Mine & Smelter Supply Co., Denver. Instructor of Credit and Collections, Denver University, College of Business Administration.

Topics: (1) "Collecting Delinquent Accounts to Retain the Goodwill and Business of Customers"; (2) "Setting Credit Limits—How and Why?"; (3) "Creating Sales Volume through Constructive Credit Practices"; (4) "Terms of Sale—Methods of Enforcement—Terms Chiseling."

Joint Industry Luncheon with Oil Field Services and Supplies and the Petroleum Groups. Guest speaker: H. A. "Doc" Bowles, regional credit manager of marketing, Continental Oil Co., Alhambra, Calif. Subject: "Oil Industry Magic."

BANKERS

Morning session concluding with Industry Luncheon, followed by a bus tour and plant visit to Jeppesen Map Company. At the conclusion of the tour there will be a fellowship hour.

Welcoming remarks—Harold Kountze, Jr., Colorado National Bank, Denver, for the Rocky Mountain Group of the Missouri Valley Chapter of Robert Morris Associates.

Talk: "Work Papers of a Public Accountant," Marvin L. Stone, certified public accountant, Denver.

Panel and round table discussion: "Credit Department—Techniques and Mechanics." Moderator: William Edens, Continental Illinois National Bank & Trust Company of Chicago. Panelists John A. Eiseman, First Pennsylvania Banking & Trust Co., Philadelphia; Ervin L. Heyde, Boatman's National Bank of St. Louis; Raymond L. Kent, Chase Manhattan Bank, New York; William J. Roth, Northern Trust Co., Chicago; K. Stanley Thompson, Wells Fargo Bank-American Trust Co., San Francisco.

Luncheon speaker: Robert Perkins, editorial staff, Rocky Mountain News, Denver. Subject: "Colorful Colorado."

BREWERS, DISTILLERS AND LIQUOR WHOLESALERS

Four formal presentations and open forum discussion period in the morning session:

Talks: "How to Get More from Your Association," Norbert Backhus, Cincinnati Association of Credit Management; "A Sales Manager's View of the Credit Department," Byron Wydman, sales manager, Adolf Coors Co., Golden, Colo.; "The Sales Department Viewed by a Credit Manager," (speaker to be announced); "Nature and Purpose of Financial Statements," Franklin McClelland, senior partner, Hoskins and Sells, Inc., Denver.

Open forum discussion: "The Small Corporation." Discussion leader: H. A. Hosek, Tivoli Brewing Co., Denver.

Afternoon session—Open forum discussion period, with four subjects of discussion.

Discussion leaders and topics: (1) "Credit Department Assistance to Customers" (discussion leader to be announced); (2) "Controlling Dollar Volume Accounts— Why and How Do You Withdraw Credit Lines?", Dwain Alderson, credit manager, Adolf Coors Co., Golden, Colo.; (3) "Obtaining Information from Salesmen—Changes and Trends Noted on Regular Calls", William Brogdon, McKesson & Robbins, Inc., Denver; (4) "What does Management Expect from the Credit Department?", John F. Doyle, treasurer, Bacardi Imports, Inc., New York.

Tentatively planned: A talk on "History of Money" by Dan Brown, coin collector, Denver.

Tour through United States Mint.

BUILDING MATERIAL AND CONSTRUCTION

Forenoon addresses: "It's the Law"—The Rights of Debtors and the Inherent Dangers to Creditors, William D. Eberle, corporate attorney for Boise Cascade Corp. "The Internal Revenue Looks at Bad Debts," V. Lee Phillips, district director, Denver District, Internal Revenue.

Report on Retentions by Glenn F. Ballard, Minnesota & Ontario Paper Co., Minneapolis, chairman, N.A.C.M. Committee on Improved Construction Practices. This will be a summary and report of committee efforts in securing bond information for the National Construction Industry and Building Material Credit Group.

Afternoon talk: "Large Construction Financing as It Affects the Materialman," Everett C. Spelman, vice president, Western Securities Co., Denver.

Afternoon open forum discussion, with three sectional meetings.

Group chairmen:

Manufacturers and Fabricators: Francis F. Tozer, Michael Flynn Manufacturing Co., Philadelphia.

Wholesalers and Jobbers: Joseph R. Rohrer, Keasbey & Mattison Co., Ambler, Pa.

Dealers and Retailers: William Kemp, Acme Block Co., Denver.

Discussion Topics:

(1) "Abuses in the Construction Industry; (a) Disputed Charges, i.e., Back Charges—Extras—Change Orders, Returned Materials; (b) Diverting Funds to Finance Another Job; (c) Imposing Subcontractor's Contract Terms on Material Suppliers—(1) Excessive Retainage—(2) Delay in Interim and Final Payment to Material Suppliers; (d) Contractor Pays for Material Incorporated in Job but Not for Material Stored at Jobsite."

(2) "Coordination and Cooperation between Interested Parties on Private and Public Construction Projects; (a) Between—suppliers; architects; contractors; financial institutions; and owners; (b) Do We Put Too Much Faith in Lien Rights?; (c) Determining Title and Ownership of Property and Availability of Financing; (d) Education of Salesman to Obtain and Report Vital Credit Information."

Joint Industry Luncheon with Machinery and Supplies Group and the Plumbing, Heating, Refrigeration and Air Conditioning Group. Guest speaker: William B. Chenoweth, state senator for Colorado's 1st District. Subject: "Give Credit Where Credit Is Due."

CHEMICAL AND ALLIED LINES

Formal talk and panel discussion at the morning session.

Talk: "Credit Activities versus the Robinson-Patman Act" (speaker to be announced).

Panel discussion: "Evaluating the Insurance Program of Marginal Risks." Moderator: James F. Nevins, manager, credit and corporate insurance, Inland Steel Container Corp., Chicago. Panel members: W. J. Adams, R. R. Connelly & Sons Co., Chicago; W. G. Lampe, Abbott Laboratories, North Chicago, Ill.; George Winters, A. M. Castle & Co., Franklin Park, Ill.

H. E. FREY R. C. ERICKSON

Afternoon addresses: "Rights of Debtors and Dangers to Creditors," Wm. D. Eberle, attorney, Boise-Cascade Corp., Boise, Idaho; "A Better Meal Ticket," message from Group secretary, J. F. Schofield, secretary-manager, St. Louis Association of Credit Management.

Panel and open forum discussion: "What Are You Doing about Requests for Extra 60-90 Days from Large, Well-Rated Companies?" Moderator: Harold C. Gibson, credit manager, Chemargo Corporation, Kansas City, Mo. Panel members: Eugene Hughes, Olin Mathieson Chemical Corp., Little Rock; R. E. Johnson, B. F. Goodrich Chemical Co. Cleveland; J. N. Miller, Union Carbide Chemicals Co., San Francisco.

Joint Industry Luncheon with Drugs, Cosmetics and Pharmaceuticals Group. Guest speaker: Verne Seeley, editor and publisher, Rocky Mountain Druggist, Denver. Subject: "Changing Times and Conditions."

CONFECTIONERY MANUFACTURERS

Joint morning session with Food Products and Allied Lines Manufacturers and Millers and Allied Lines Groups.

Opening presentation: "Coordination of Service by Suppliers—Customer's Viewpoint," Fred Fishburn, executive vice president, Associated Grocers, Inc, Denver.

Open forum discussion: "Credit Department Reports to Top Management." Discussion leader: Hugh P. McCormick, credit manager, McCormick & Co., Inc., Baltimore.

Talk: "Impact of Welfare Programs—National, State and Local—on Our Economy," Otto Moore, associate justice, Supreme Court of the State of Colorado.

Afternoon—panel and open forum discussion of current credit problems and their solutions. Moderator: Ward B. Lowe, Curtiss Candy Co., Chicago.

Panel Members: Gordon Fleming, Brock Candy Co., Chattanooga; William H. Bates, Frank H. Fleer Corp., Philadelphia; Moretta M. Fischer, George Ziegler Co., Milwaukee; Donald Smucker, Paul F. Beich Co., Bloomington, Ill.; Herman E. Surdan, Mars, Inc., Chicago.

Discussion topics: (1) "Terms of Sale—Methods of Enforcement—Terms Chiseling; (2) "Method of Reducing Old Accounts while Selling Currently"; (3) "Constructive Credit Department Assistance to Customers"; (4) "Setting Credit Limits—How and Why?"; (5) "Using Salesmen as Collectors"; (6) "Selling Marginal Accounts"; (7) "Compromise Settlements"; (8) "Automation"; (9) "Trends in Accounts Receivable Turnover."

Joint Industry Luncheon with Feed, Seed and Agricultural Suppliers Group, the Food Products and Allied Lines Manufacturers Group and the Millers and Allied Lines Group. Guest speaker: Harry Cole, public relations director, Title Guaranty Co., Denver. Subject: "How to Go Broke in the Food Business."

DRUGS, COSMETICS AND PHARMACEUTICALS

Following call to order and appointment of committees, the members will be divided into two Groups for the morning session—the Wholesalers Group and the Manufacturers Group, with a combined meeting in the afternoon.

Wholesalers Group—Panel and open forum discussion. Moderator: Daniel E. Weber, Davis Bros. Inc., Denver.

Panel members and subjects: (1) "How Can We Help Small Business?" (Finance—Store Planning—Merchandise—Reduction Inventory)—Walter Lange, Yahr-Lange, Inc., Milwaukee; (2) "Special Credit Problems"—F. J. Minard, Lincoln Drug Co., Lincoln, Neb.; (3) "Credit and Sales Department Cooperation"—Joe H. Tonopolsky, McKesson & Robbins, Inc., Denver; (4) "Constructive Credit Department Assistance to Customers"—Rollo Thurlow, Fox Vliet Drug Co., Wichita.

This program will conclude with a general question and answer period.

Manufacturers credit symposium—Discussions relative to the handling of accounts under various methods of distribution. Moderator: Nelson P. Rabone, Hoffmann-LaRoche, Inc., Nutley, N. J.

Discussion leaders and topics: (1) "Rack Jobbing Accounts"—F. Paul Smith, Bristol Myers Products Division of Bristol Myers Co., Hillside, N. J.; (2) "Wholesale and Retail Accounts"—Harry J. Klein, Merck, Sharpe & Dohme Division, Merck & Co., Inc., West Point, Pa.; (3) "Hospital Accounts"—Edward B. Young, Winthrop Laboratories Division, Sterling Drug, Inc., New York.

Combined afternoon session: Three formal presentations.

Speakers and subjects: "Service—Our Most Important Product," C. E. Swanson, secretary-manager, Credit Managers' Association of Northern & Central California, San Francisco; "Little Pills and Big Bills," Joe V. Hamilton, sales manager, Davis Bros., Inc., Denver; "Automation," Donald D. Langworthy, sales representative, International Business Machines Corp., Denver.

Question and answer period following each presentation.

Joint Industry Luncheon with Chemical and Allied Lines Group. Guest speaker: Verne Seeley, editor and publisher, Rocky Mountain Druggist, Denver. Subject: "Changing Times and Conditions."

ELECTRICAL AND ELECTRONICS DISTRIBUTORS

Four addresses at the morning session.

Speakers and subjects: "Customer Financing in the Electrical Industry: An Appraisal," W. W. Smith, manager, credit and collection service, Treasury Services Division, General Electric Co., New York; "Count Your Dollars after They're Hatched"; J. N. Cummings, vice president,

Denver United States National Bank; "Small Business and Its Place in Today's Economy," H. R. Smethills, regional director, Small Business Administration, Denver; "The Genius of America," Arthur Gaeth, news commentator and former foreign correspondent, Denver.

Opening afternoon presentation—Representatives of an industrial concern, electrical contracting firm, appliance dealer, all speaking on "Tips to Distributors": E. F. Saulsbury, vice president, purchasing, Ideal Cement Co., Denver; Ernest Graham, owner, Belmont Electric Service, Denver; Roy Jansen, manager, Fred Schmid Appliance & TV Co., Denver.

Talk: "The Parade of Dollars," Louis E. Gelt, attorney, Denver.

Open forum discussion: "What's on your Mind?" Discussion leader: R. T. Custer, Graybar Electric Co., Inc., Boston. Open discussion from the floor—Suggested topics: (1) "Securing Protection on Contractor Accounts"; (2) "Unearned Cash Discounts"; (3) "Charging Interest on Overdue Accounts"; (4) "Compromise Settlement"; (5) "Setting Credit Limits—How And Why?"; (6) "Fraud Prevention and Laws Which Might Be Enacted to Reduce Commercial Frauds."

Joint Industry Luncheon with Electrical and Electronics Manufacturers. Guest speaker: Ben Martin, athletic director, U. S. Air Force Academy, Colo. Subject to be announced.

ELECTRICAL AND ELECTRONICS MANUFACTURERS

Opening address: "Selling Credit," Z. E. Pique, vice president—marketing, Statham Instruments Incorporated, Los Angeles.

Open forum discussion period: "Techniques and Tools Used in Securing Collectible Business from Submarginal Concerns." Discussion leader: Millard B. Jumper, Jr., assistant credit manager, Texas Instruments Incorporated, Dallas.

Afternoon talks: "1961—Count-Down Year for Electronics Credits," William A. Duvel, headquarters staff, Dun & Bradstreet, Inc., New York; "Organization of the Creditors Committee," Carl W. Williams, president, The Holen Company, Inc., Chicago.

Panel discussion: "Practice of Credit Management—How Can We Improve It?" Moderator: Ray Matson, credit manager, Belden Manufacturing Co., Chicago. Panel members: Victor B. Dobrunz, treasury manager, Westinghouse Electric Corp., St. Louis; George L. Murphy, credit manager, General Electric Co., Schenectady; John Flesher, credit manager, Emerson Electric Co., St. Louis.

Joint Industry Luncheon with Electrical and Electronics Distributors Group. Guest speaker: Ben Martin, athletic director, U. S. Air Force Academy, Colo. Subject to be announced.

FEED, SEED AND AGRICULTURAL SUPPLIERS

Three speakers, a panel and an open forum discussion period.

Forenoon speaker: "Agriculture Tomorrow," Dr. Emmett Dignan, vice president, Denver United States National Bank.

Panel discussion: Moderator: Pernell T. Reitan, finance director, Peavey Feed Mills, Minneapolis.

Panel members and subject: (1) "What Does Management Expect of the Credit Manager?," Dr. Chase Wilson, director of feed and agricultural chemical division, Consumers Cooperative Association, Kansas City, Mo.; (2) "What Does the Credit Manager Expect of Management?," Waldo Hull, general credit manager and assistant treasurer, Nutrena Feeds, Minneapolis.

Afternoon addresses: "Your Credit Association," Rubert Lindholm, secretary-manager, Credit and Financial Management Association, Minneapolis; "Trends in Selling and Distribution Techniques of Agricultural Product Suppliers," Samuel T. Goad, director of farm feed sales, Northrup, King & Co., Minneapolis.

Open forum discussion: Discussion leader: A. M. Stevens, general credit manager and assistant treasurer, Ralston Purina Co., St. Louis.

Subjects: (1) "Under What Conditions Do You Deviate from Established Terms of Sale?"; (2) "How Do You Handle a Good Customer Whose Payments are Slowing Up and Establishing or Lowering a Line of Credit Is Indicated?"; (3) "How Do You Handle a Request for an Increased Line of Credit from a Marginal Customer Who Is Expanding His Sales of Your Products?"; (4) "To What Degree Do You Grant Credit Authority to Non-Credit Personnel?"; (5) "Is the Production Credit Association (PCA) the Answer to the Farmer Credit Problem?" "What's Your Problem?"

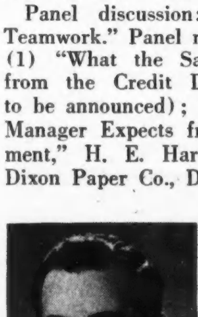
Joint Industry Luncheon with the Confectionery Manufacturers Group, the Food Products and Allied Lines Manufacturers Group, and the Millers and Allied Lines Group. Guest speaker: Harry Cole, public relations director, Title Guaranty Co., Denver. Subject: "How to Go Broke in the Food Business."

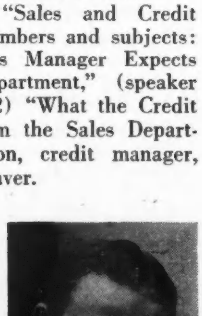
FINE PAPER

Three addresses, a panel presentation, and Group secretary's report at the forenoon session.

Speakers and subjects: "The Credit Man's Position in the Fine Paper Distribution Activity," James P. Claybrook, division manager, Carpenter Paper Co., Denver and Pueblo; "Credit Investigation through Your Bank," Charles H. Willis, Denver United States National Bank.

Panel discussion: "Sales and Credit Teamwork." Panel members and subjects: (1) "What the Sales Manager Expects from the Credit Department," (speaker to be announced); (2) "What the Credit Manager Expects from the Sales Department," H. E. Harmon, credit manager, Dixon Paper Co., Denver.


V. M. DEVENPORT, JR.


R. K. HANCOCK

George H. Jones, secretary-manager Alabama Association of Credit Executives, Birmingham, will give the Group secretary's report.

Afternoon joint meeting with the Paper Products and Converters Group.

Addresses: "Problems of Creditors in Bankruptcy Proceedings," Lewis Hellerstein, Hellerstein & Hellerstein, attorneys, Denver; "Raising Your Sights for the 1960's," Byron Lopp, Lowell T. Murphy Co., Denver; "Your Credit Association," Lee J. Fortner, secretary-manager, Credit Managers Association of Southern California, Los Angeles.

Question and answer period will follow each presentation.

Joint Industry Luncheon with the Paper Products and Converters Group.

FLOOR COVERINGS AND FURNITURE

Forenoon session: Speaker and a panel discussion, with the afternoon devoted to a workshop and open forum period for exchange of ideas.

Address: "Bank, Builder and Supplier—Who Pays Whom and How?," James J. Guse, Central Bank & Trust Co., Denver, Head, builders section, instalment mortgage department.

Panel discussion: "Credit—Old Word, New Methods." Moderator: Gene Starn, Aluminum Western Co., Denver. Panel members: Joseph A. Sweeney, bond superintendent, Denver regional office, Royal Globe Insurance Group; W. A. Dinklage, district credit manager, William Volker & Co., Kansas City, Mo.; James B. Osborne, Central Bank & Trust Co., Denver.

Workshop and open forum discussion topics: (1) "Automation for the Small Credit Office"; (2) "Dun 'em with Kindness" — Credit Correspondence; (3) "Credit, Finance and Taxes."

The Workshop Session will conclude with a talk—"Use That Credit Ammunition"—by Gary DeVries, National Association of Credit Management (Western Michigan, Inc.,), Grand Rapids.

Edward H. Hummel, Armon Co., Philadelphia, will preside as discussion leader for the workshop session.

Joint Industry Luncheon with Hardware Manufacturers, Hardware Wholesalers and Paint, Varnish, Lacquer and Wallpaper Groups. Guest speaker: Sam G. Russell, executive vice president Burns Realty & Trust Co., Denver. Subject: "Anybody Listening?"

FOOD PRODUCTS AND ALLIED LINES MANUFACTURERS

This group will convene with the Confectionery Manufacturers for the morning session. The Millers and Allied Lines Group will participate in the sessions all day.

Opening presentation: "Coordination of Service by Suppliers—Customer's Viewpoint", Fred Fishburn, executive vice president, Associated Grocers, Inc., Denver.

Open forum discussion: "Credit Department Reports to Top Management". Discussion leader: Hugh P. McCormick, credit manager, McCormick & Co., Inc., Baltimore.

Talk: "Impact of Welfare Programs

—National, State and Local—on Our Economy," Otto Moore, associate justice, Supreme Court of the State of Colorado.

Afternoon — "Credit Managers Clinic". Choose your own subject from those listed below:

(1) "Is It Good Business to Accede to Requests to Hold Payments until Invoices are Checked against Merchandise Receipts? What Arguments Do You Use to Justify a Refusal?". Group leader: George Perry, Stokely-Van Camp, Inc., Indianapolis.

(2) "Can You Successfully Give Advice to Customers Who Are Losing Ground? Should It Be with the Cooperation of Other Suppliers?" "Customer Counseling." Group leader: Fred Athanasakos, The Blanton Company, St. Louis.

(3) "Tight Money Restrictions. What Can We Do To Ease the Situation When It Begins to Affect Our Customers' Business Adversely?". Group leader: A. J. Nathanson, Lever Brothers Co., New York.

(4) "Habitual Discount and Merchandise Claims Abusers". Group leader: Bertel Jonson, Hunt Foods & Industries, Inc., Fullerton, Calif.

(5) "Programing for Electronic Data Processing". Group leader: John Wiesner, California Packing Corp., San Francisco.

(6) "How Do You Withdraw Credit Lines from Your Long-Established Customers?", Group leader: George Stillman, Great Western Sugar Co., Denver.

Each Group will prepare a report for total audience discussion.

Joint Industry Luncheon with Confectionery Manufacturers Group, the Feed, Seed and Agricultural Suppliers Group, and the Millers and Allied Lines Groups. Guest speaker: Harry Cole, public relations director, Title Guaranty Co., Denver. Subject: "How to Go Broke in the Food Business".

FOOD PRODUCTS WHOLESALERS

Forenoon talk: "Small Business and Its Place in Today's Economy", Harold R. Smethills, regional director, United States Small Business Administration, Denver.

Open forum discussion period: "What Can We Do to Help Small Business?", to include: Finances-Store planning-Merchandising-reduction of large inventories. Discussion leader: F. W. Nordhausen, general credit manager, Foremost Dairies, Inc., San Francisco.

Round table discussion: "Special Credit Department Problems"—Bring your problem. Discussion leaders: Morris Weiss, Colonial Beef Co., Philadelphia, and Frank J. Canonica, S & W Fine Foods, Inc., San Francisco.

Afternoon addresses: "Your Credit Association—What You Can Expect from It", H. S. Garness, secretary-manager, Milwaukee Association of Credit Management, "Priority of Governmental Agencies in Federal Bankruptcy"—Spec. McClellan vs. Small Business Administration—by Benjamin C. Hilliard, Jr., referee in bankruptcy, Colorado District.

Open forum discussion period—

(1) "Insurance as It Pertains to Credit", Discussion leader: Bob Harris, Waples Platter Co., Fort Worth.

(2) "Taxes as They Affect Our Customers". Discussion leader: George T. Spillane, Beatrice Foods Co., Denver.

(3) "Why I Took Up a Course in Real Estate Practices as Credit Department Training". Discussion leader: Julian J. Duran, Beatrice Foods Co., Denver.

Joint Industry Luncheon with Meat Packers Group. Guest speaker: Fred Fishburn, vice president and general manager, Associated Grocers of Colorado, Inc. Subject: "Opportunities and Advantages Afforded by Individually Owned Business".

L. M. DAVIS

R. W. GOARD

HARDWARE MANUFACTURERS

General comments from Group secretary: Lillian Murphy, Cleveland Association of Credit Management.

Forenoon addresses: "The Lock Box System of Collecting Accounts Receivable", Richard C. Meckley, vice president of business development department, First National Bank of Denver; "Adaptation of Punch Card Accounting Systems to Credit Department Requirements", Harry B. Wheeler, credit manager, The Warner & Swasey Co., Cleveland.

Afternoon panel presentation: "How Credit and Sales Work Together". (Speakers from each field to be announced).

Open forum and general discussion period: "Brain Storming". Discussion leader: Glen C. Neal, Rubbermaid, Inc., Wooster, Ohio. Entire group participation with problems and discussion items presented from the floor.

Summary of the meeting will be given by Group Secretary Lillian Murphy.

Joint Industry Luncheon with Floor Coverings and Furniture Group, the Hardware Wholesalers Group and the Paint, Varnish, Lacquer and Wallpaper Group. Guest speaker: Sam G. Russell, executive vice president Burns Realty & Trust Co., Denver. Subject: "Anybody Listening?"

HARDWARE WHOLESALERS

Three speakers morning session; open forum discussion period—shop talk in the afternoon.

Speakers and subjects: "Our Credit Association", E. H. Kurtz, secretary-manager, National Association of Credit Management —Nebraska-Western Iowa Unit, Omaha; "Small Business and Its Place in Our Economy Today", R. H. Smethills, regional director, Small Business Administration for Colorado, Wyoming, Utah, New Mexico; "How to Go Broke While Showing a Profit," V. C. Barnhart, treasurer, Mine & Smelter Supply Co., Denver.

Discussion leader for afternoon open forum discussion—"Shop Talk": B. Earle Walker, vice president, C. M. McClung & Co., Inc., Knoxville.

Subjects: (1) "Interviewing New Customer"; (2) "Investigating Procedure in Credit Management"; (3) "The Credit Tools I Use"; (4) "Appraising the Risk and Determining the Line of Credit"; (5) "Controlling Credit after the Account Is Opened"; (6) "Security to Make a Poor Risk Safe".

Joint Industry Luncheon with Floor Coverings and Furniture Group, the Hardware Manufacturers Group and the Paint, Varnish, Lacquer and Wallpaper Group. Guest speaker: Sam G. Russell, executive vice president Burns Realty & Trust Co., Denver. Subject: "Anybody Listening?"

INSURANCE

Forenoon session only, concluding with a fellowship period and luncheon.

Opening presentation: Report of chairman, Wilson D. Sked, Marsh & McLennan, Inc., Chicago.

Talks: "New Hazards in the Space and Atomic Age," George T. Cowan, Johnson & Higgins, New York; "The Role of the Local Insurance Advisory Council," Wallace E. Jeffrey, Marsh & McLennan, Inc., New York, and Wallace G. Bailey, Phoenix Insurance Co., Hartford; "Future Role of National Association of Credit Management Insurance Advisory Council," Ralph E. Brown, vice president, Marsh & McLennan, Inc., St. Louis and president, National Association of Credit Management.

General discussion: Local association activity and new business.

Subcommittee reports:

Speaker's Bureau: Peter A. Zimmermann, The Surety Association of America, New York.

Education: L. A. Fitzgerald, American Mutual Insurance Alliance, Chicago.

Information: David Q. Cohen, Association of Casualty & Surety Companies, New York.

Improved Construction Practices: Al Christian, Royal-Globe Insurance Group, New York.

"Credit and Financial Management": Sidney Alexander, S. Strook & Co., Inc., New York.

Special Awards: J. J. Nemeth, E. H. Fishman, Inc., Cleveland.

Regional Council Meetings: A. F. Goddard, J. E. Lutz & Co., Knoxville.

IRON AND STEEL, NON-FERROUS METALS AND RELATED LINES

Three formal presentations and a panel discussion period.

Forenoon talks: "Today's Lubrication," C. L. Wentworth, technical services representative, Continental Oil Co., Denver; "Field Warehousing—A Credit Tool", Charles W. Rose, assistant vice president, Lawrence Warehouse Co., Chicago.

Afternoon address: "Operation Salvage," John H. Neiman, secretary-treasurer, Iowa Unit, National Association of Credit Management, Des Moines.

Panel discussion—Moderator: Bernard E. Teets, executive director, Department of Employment, State of Colorado.

Panel members and subjects:

(1) "Profile of a Business," Harold Silver, president, Silver Steel Co., Denver; (2) "Protect Yourself," E. O. Melville, Supervising claims attorney, United States Fidelity & Guaranty Co., Denver; (3) "Plus and Minus Factors in Credit,"

James L. Clark, district credit manager, Aluminum Company of America, Philadelphia; (4) "A Banker Looks at Today's Lending Practices," W. F. Bogett, vice president, Colorado National Bank, Denver; (5) "Credit for Profit Versus Credit for Sales," Timothy E. Dooley, credit manager, Mueller Brass Co., Port Huron, Mich.

Industry Luncheon Guest Speaker: Davis W. Moore, senior vice president, First National Bank, Denver. Subject: "The Mystery of Gold."

MACHINERY AND SUPPLIES

"This Is Your Money." Preceding the business session, the Group will make a tour of the Denver United States Mint. The Mint is within walking distance of the Denver Hilton hotel. No cameras, please.

Forenoon open forum discussion—"This Is Your Life." Discussion leader: C. Rae Hope, credit manager, The McCoy Company, Denver.

Subjects for discussion: This Is Your Life With . . . (1) Bonding Companies; (2) Sales Managers, Salesmen and Sales Departments; (3) The Accounting Department; (4) Marginal Accounts; (5) Special Terms and Interest on Past Due Accounts; (6) Collection Correspondence; (7) The Economy; (8) Multi Plant Operation; (9) Top Management; (10) Rental Customers.

Address: "Your Association and You," E. Earl Porter, secretary-manager, Seattle Association of Credit Men.

Afternoon open discussion period—workshop conference: "Automation and the Credit Department." Moderator: W. Warren Culpepper, assistant secretary-assistant treasurer, The Colorado Builders' Supply Co. Denver.

Panel members and subjects: "Machines and the Credit Manager," Donald Langworthy, sales representative, International Business Machines Corp., Denver. "The Accounting and Credit Departments Role in Automation." Professor Robert S. Wasley, School of Business Administration, University of Colorado, Boulder; "The Credit Manager and the Credit Department Make Automation Work for Them," Harry B. Wheeler, credit manager, The Warner & Swasey Co., Cleveland.

The meeting will conclude with a general discussion period—topics and subjects submitted from the floor.

Joint Industry Luncheon with Building Material and Construction Group and the Plumbing, Heating, Refrigeration and Air Conditioning Group. Guest speaker: William B. Chenoweth, state senator for Colorado's 1st District. Subject: "Give Credit Where Credit Is Due."

MEAT PACKERS

Three open forum discussion periods, and two formal presentations.

Discussion leader for the forenoon open forum discussion period: W. C. Fisher, credit manager, East Tennessee Packing Co., Knoxville.

Subject: "Special Credit Department Problems with Particular Attention to (1) "Methods of Reducing Old Accounts While Selling Currently"; (2) "Credit-Sales Department Cooperation"; (3) "Constructive Credit Department Assistance to Customers"; (4) "Collecting Delinquent Accounts to Retain the Goodwill and Business of Customers."

Talk: "Data Processing and the Credit Man," Donald E. Langworthy, sales representative, International Business Machines Corp., Denver.

Afternoon open forum discussion periods: Discussion leader: O. E. Hug, credit manager, Cudahy Packing Co., Denver.

Subject: "New Methods and Ideas in Collection Procedures"—(1) "Collection Correspondence"; (2) "Educating Salesmen as Collectors"; (3) "Compromise Settlements"; (4) "Legislation Affecting Credit in Our Industry."

Second afternoon open forum discussion period: "Selling Marginal Accounts." Discussion leader: E. F. Nottebrok, city credit manager, Krey Packing Co., St. Louis.

Address: "Future Developments in Taxation as They May Affect Customers," Professor Jerome Kesselman, University of Denver, College of Business Administration.

Question and answer period will follow the talks.

Joint Industry Luncheon with Food Products Wholesalers. Guest speaker: Fred Fishburn, vice president and general manager, Associated Grocers of Colorado, Inc., Denver. Subject: "Opportunities and Advantages Afforded by Individually Owned Business."

W. W. CULPEPPER

J. L. NEAFUS

MILLERS AND ALLIED LINES

Joint meeting with Food Products and Allied Lines Manufacturers.

Opening presentation: "Coordination of Service by Suppliers—Customer's Viewpoint," Fred Fishburn, executive vice president, Associated Grocers, Inc., Denver.

Open forum discussion: "Credit Department Reports to Top Management." Discussion leader: Hugh P. McCormick, credit manager, McCormick & Co., Inc., Baltimore.

Talk: "Impact of Welfare Programs—National, State and Local—on Our Economy," Otto Moore, associate justice, Supreme Court of the State of Colorado.

Afternoon—"Credit Managers' Clinic." Choose your own subject from those listed below:

(1) "Is It Good Business to Accede to Requests to Hold Payments Until Invoices are Checked against Merchandise Receipts? What Arguments Do You Use to Justify a Refusal?". Group leader: George Perry, Stokely-Van Camp, Inc., Indianapolis.

(2) "Can You Successfully Give Advice to Customers Who Are Losing Ground? Should It Be with the Cooperation of Other Suppliers?" "Customer Counseling." Group leader: Fred Athanasakos, The Blanton Company, St. Louis.

(3) "Tight Money Restrictions. What Can We Do to Ease the Situation When It Begins to Affect Our Customers' Business Adversely?". Group leader: A. J. Nathanson, Lever Brothers Co., New York.

(4) "Habitual Discount and Merchandise Claims Abusers." Group leader: Bertel Jonson, Hunt Foods & Industries, Inc., Fullerton, Calif.

(5) "Programing for Electronic Data Processing." Group leader: John Wiesner, California Packing Corp., San Francisco.

(6) "How Do You Withdraw Credit Lines from Your Long-Established Customers?". Group leader: George Stillman, Great Western Sugar Co., Denver.

Each Group will prepare a report for total audience discussion.

Joint Industry Luncheon with Confectionery Manufacturers Group, the Feed, Seed and Agricultural Suppliers Group. Guest speaker: Harry Cole, public relations director, Title Guaranty Co., Denver. Subject: "How to Go Broke in the Food Business."

OIL FIELD SERVICES AND SUPPLIES

Forenoon speakers and subjects: "Credit and Banking Aspects of Oil Financing," John Ferry, assistant vice president and petroleum engineer, Denver United States National Bank; "Practical Application of Oil and Gas Liens," John C. Weaver, area credit representative, The National Supply Division, Armco Steel Corp., Denver.

Open forum discussion periods:

(1) "Setting and Controlling Credit Limits." Discussion leader: Lewis F. Neahusan, district credit manager, Dowell Division, Dow Chemical Co., Midland, Texas.

(2) "Importance of the Profit Factor in Credit Risk Appraisal." Discussion leader: D. T. Brooks, assistant general credit manager, Schlumberger Well Surveying Corp., Houston.

Afternoon addresses: "Credit as an Effective Sales Tool," W. L. Holmes, assistant treasurer and general credit manager, Schlumberger Well Surveying Corp., Houston, immediate past president, National Association of Credit Management; "Your Credit Association's Relationship to the Oil Field Industry's Credit Problems," W. J. Wissel, executive secretary, Houston Association of Credit Management.

Open forum discussion: "Open Ended Mortgages." Discussion leader: J. K. Glenn, division credit manager, Continental Emsco Co., Denver.

Joint Industry Luncheon with Automotive and Petroleum Groups. Guest speaker: H. A. "Doc" Bowles, regional credit manager of marketing, Continental Oil Co., Alhambra, Calif. Subject: "Oil Industry Magic."

PAINT, VARNISH, LACQUER AND WALLPAPER

Three formal presentations and a Workshop Session.

Addresses: "Sales and Credit—The Winning Team," Al Brainard, assistant sales manager, Kohler McLister Paint Co., Denver; "The Power of Correspondence," K. J. Forshee, general credit manager,

National Lead Co., San Francisco; "Banking and Credit," Jim Garrett, assistant vice president, Citizens Savings Bank, Denver, and Richard Fitzgerald, assistant vice president, First National Bank-Denver.

Workshop session—round table and open forum. Panel members: Ray Gonser, assistant credit manager, Siedlitz Paint & Varnish Co., Kansas City, Mo.; Don Garrison, credit manager, Sherwin-Williams Co., Kansas City, Mo.; Stan Cox, credit manager, Cook Paint & Varnish Co., Kansas City, Mo.

Subjects for discussion: (1) "Spring Dating Terms"; (2) "Deferred or Special Terms"; (3) "Credit Limits—How and When?"; (4) "The Traveling Credit Manager—a New Trend"; (5) "The Crystal Ball"; (6) "Summation—Before We Go."

Joint Industry Luncheon with Hardware Wholesalers, Hardware Manufacturers, and Floor Coverings and Furniture Groups. Speaker: Sam G. Russell, executive vice president Burns Realty & Trust Co., Denver. Subject: "Anybody Listening?"

PAPER PRODUCTS AND CONVERTERS

Opening presentation: "Science of Banking Credit," J. E. Montague, president, American National Bank, Denver. Followed by question and answer period.

Open forum discussion period: "Trouble!—by the Case." Discussion leader: P. E. Schenck, credit manager, Container Corporation of America, Philadelphia.

Joint afternoon meeting with the Fine Paper Group.

Three talks, followed by question and answer periods: (1) "Problems of Creditors in Bankruptcy Proceedings," Lewis Hellerstein, Hellerstein & Hellerstein, Attorneys, Denver; (2) "Raising Your Sights for the 1960's," Byron Lopp, Lowell T. Murphy Co., Denver; (3) "Your Credit Association," Lee J. Fortner, secretary-manager, Credit Managers' Association of Southern California, Los Angeles.

Joint Industry Luncheon with the Fine Paper Group.

PETROLEUM

Two panel presentations and open forum discussion period in the forenoon.

Panel discussion: "Open Skies"—more profitable credit selling through better communications: credit and sales personnel. Moderator: J. C. Love, Phillips Petroleum Co., Denver. Panel members to be announced.

Open forum discussion: "Cloudy Skies"—sales to contractors, bond rights, terms, control. Leadoff for the general discussion will be a talk by James L. Webb, manager, American Surety Co., Denver, who will cover bond rights and their dependence by supplier. General discussion leader will be W. L. McGuire, Texaco, Inc., Denver.

Panel discussion: "Clear Skies"—credit service charges, a way to reduce overdues, offset rising costs to carry, retail accounts, contractors, other. Moderator: John P. McLaughlin, Richfield Oil Corp., Los Angeles. Panel members: L. B. Houghton, Union Oil Company of California, Los Angeles; C. W. Flint, American Oil Company, Salt Lake City.

First afternoon panel discussion: "Stormy Weather"—credit cards—growth in usage—

T. D. McELROY

G. H. KILLEN

G. V. ROBINSON

G. B. WILHELM, JR.

J. L. KAISER

LOUIS SMIRNOW

control of abuse—frauds. Moderator: D. T. Wilcox, California Oil Co., Denver. Panel members: Kenneth R. Benson, Frontier Refining Co., Denver; G. B. Wilhelm, Jr., Continental Oil Co., Denver.

Panel discussion: "Green Pastures"—farmer credit—financing jobbers—financing dealers. Moderator: Merle J. Zook, Vickers Petroleum Co., Wichita. Panel members: L. D. O'Donnell, Humble Oil & Refining Co., Billings, Mont.; R. M. Benson, Continental Oil Co., Kansas City, Mo.

Talk: "Your Association and its Services," D. R. Meredith, secretary-manager, Credit Association of Western Pennsylvania, Pittsburgh.

Joint Industry Luncheon with Automotive Group and the Oil Field Services and Supplies Group. Guest speaker: H. A. "Doc" Bowles, regional credit manager of marketing, Continental Oil Co., Alhambra, Calif. Subject: "Oil Industry Magic."

PLUMBING, HEATING, REFRIGERATION AND AIR CONDITIONING

Four addresses, with audience participation in the question and answer period following each presentation; concluding with a panel and open forum discussion period.

Speakers and subjects: (1) "Lien Rights under the Miller Act," Jess Young, Thompson, Thompson & Young, attorneys, San Antonio; (2) "The Use of the Financial Statement in Granting Credit," Ralph Mayo, Jr., partner, Arthur Young & Co., Certified Public Accountants, Denver; (3) "Your Credit Association," James Lowell, Rocky Mountain Association of Credit Men, Denver; (4) "Retainages on Construction Contracts," Glenn Ballard, Minnesota & Ontario Paper Co., Minneapolis.

Panel and open forum discussion—Moderator: John G. dePass, National-U. S. Radiator Div., Crane Co., Johnstown, Pa. Panel members: C. G. Keiser, Grinnell Company, Denver; Glenn Schiller, Friedrich Refrigerators, Inc., San Antonio; Kenneth Snodgrass, Snodgrass & Smith Co., Denver; D. H. Wilson, American Radiator & Standard Sanitary Corp., Detroit; Leonard Witt, A. Y. McDonald Manufacturing Co., Denver.

Discussion subjects: (1) "Collection Techniques and Liquidations"; (2) "Compromise Settlements"; (3) "Interest or Service Charges on Delinquent Accounts"; (4) "Price Concessions"; (5) "Selling Marginal Accounts"; (6) "What's Your Problem?"

Joint Industry Luncheon with Building Material and Construction Group and Machinery and Supplies Group. Guest speaker: William B. Chenoweth, state senator of Colorado's 1st District. Subject: "Give Credit Where Credit Is Due."

PUBLIC UTILITIES

Monday afternoon session at 2:00 P.M.; all-day session Tuesday.

Address of welcome—W. D. Virtue, executive vice president, Public Service Company of Colorado, Denver.

Formal presentations: "Collection Correspondence," C. J. Rouse, Consumers Gas Co., Toronto; "Chapter 13, Bankruptcy Act," Peter Vacca, attorney, Maugan, Vacca & Braun, Columbus; "P.R. and Your Collections," Paul A. Yetter, vice president, Public Service Company of Colorado, Denver; "To the Credit of all Americans," Arthur Gaeth, Empire Savings & Loan Co., Denver; "Changes in Credit Practices to Fit the Present Economy," James Leister, Credit Association of Northwestern Ohio, Toledo; "Cost Savers," E. R. Johnson, West Penn Power Co., Greensburg, Pa.

Afternoon: "Think" Session. Discussion leader: D. N. Stephens, The Ohio Fuel Gas Co., Columbus.

Industry Luncheon on Tuesday. Guest speaker: Stan Farwell, Systems Development Executive, Denver. Subject: "Futuristic Miracles Are Here Today."

TEXTILE

General theme of meeting: "What's in the Cards?". Morning session only.

Three formal presentations, with audience participation in the question and answer period at the conclusion of each talk.

Speakers and subjects: "Dynamic Growth—Proven and Prospective," Neil F. Roberts, executive vice president, Denver United States National Bank; "New Tax Angles for the Customer and Credit Manager," Ronald J. Barry, manager tax department, Peat, Marwick, Mitchell & Co., CPA's, Denver; "A Business Man's View of Our Present Economy—His Problems and His Hopes," Edward Levy, president, Hilb & Company, Denver.

(See opposite page, column 1)

WEARING APPAREL AND FOOTWEAR

Forenoon speakers and subjects: "The Credit Man as a Business Adviser," Wm. Stavrakos, Chester H. Roth & Co., New York; "Credit Man—How Are You Traveling? Jalopy or Jet?", R. L. Seaman, International Shoe Co., St. Louis.

Afternoon talk: "Retail Accounts Receivable Versus Extended Arrangement or Preferred Terms," James Moore, B. Kuppenheimer & Co., Chicago.

Open forum discussion period. Discussion leader: Louis Smirnow, Phillips-Van Heusen Corp. New York.

Discussion topics: (1) "Insufficient Working Capital"; (2) "Too Rapid Expansion"; (3) "Need for Operating on a Budget"; (4) "Poor Merchandising—Overbuying—Expenses Too High."

A. J. Hand Retires; 45 Years At U. S. Fidelity and Guaranty

After 45 years of consecutive affiliation with one company, Arthur J. Hand, who has served 10 years on the Insurance Advisory Council of the National Association of Credit Management, and on the Insurance Advisory Council of the New York Credit & Financial Management Association, has retired at 65 as superintendent of fidelity and surety development in the New York office of United States Fidelity and Guaranty Company. He continues in the insurance business.

A. J. HAND

A Certificate of Merit was presented to Mr. Hand by the NACM Insurance Advisory Council for "his outstanding leadership and service to the insurance and credit professions, and for his devotion to the principles of prudent risk management and sound credit as a bulwark to the economic health of the nation."

Mr. Hand also was honored by more than 100 associates and friends at a pre-retirement dinner.

Beginning as an office boy in the judicial department in 1915, he was transferred to the accounting department in 1917 and placed in charge of collections. Four years later he became superintendent in charge of sales in what then was known as the attorney's list department.

In early 1950 Mr. Hand was appointed special agent for Greater New York and five years later advanced to superintendent of fidelity and surety development.

After years as a member of the Down Town Glee Club he was named historian and public relations chairman.

Avner and 3 Other Executives Buy Helbros Watch Company

Carl Avner, who has been controller and treasurer of The Helbros Watch Company, Inc., New York, is one of four key executives who have purchased the manufacture concern. He will be vice president and treasurer.

CARL AVNER

Mr. Avner, a member of the New York State Bar and holder of a degree of master of business administration, has been a director of the New York Credit & Financial Management Association (1956-60). He was a charter member and first chairman of the association's Jewelry Credit Group.

Enlarged Regional Conference Launched by Mid-West Units; First Meeting in September

A step in the direction of an enlarged regional credit conference in the Central Division was taken in Chicago February 17, and Columbus February 25, at meetings of the advisory committees of the Great Lakes Regional Credit Conference and the Ohio Valley Regional Credit Conference respectively.

Under plans agreed upon at both meetings, the Ohio Valley Conference and the Great Lakes Conference, together with the St. Louis Association of Credit Management, would be merged into a larger conference to be known as the "NACM Mid-West Credit Conference". This would include 32 cities in Illinois, Indiana, Kentucky, Michigan, Ohio, and Wisconsin.

The first "NACM Mid-West Credit Conference" is scheduled for Chicago on September 21 and 22, at the Sheraton Towers hotel.

Much of the work towards the enlarged conference has been done by John E. Taylor, president of the Credit Association of Northwestern Ohio, Toledo.

HONORARY LIFE MEMBERSHIP *in The Chicago-Midwest Credit Management Association was accorded Edwin B. Moran (left) at a recent meeting. A plaque bearing the board's resolution was presented by President Orville B. Tearney, manager of credits and corporate insurance, Inland Steel Company.*

The resolution, noting that NACM's former executive vice president has returned to residence in Illinois, states that "an entire life of devotion has been given by him to the field of credit; he has worked unstintingly for the best principles in the enhancement of the credit management profession, and he has not only held every office of importance in the NACM but energetically and capably performed the duties and tasks of each position."

CALENDAR OF EVENTS IMPORTANT TO CREDIT

DENVER, COLORADO
May 11-13
NACM Secretary-Managers Annual Conference.

DENVER, COLORADO
May 14-18
65th Annual Credit Congress

VICTORIA, B. C.
September 10-13
Western Division Secretary-Managers Conference

CHICAGO, ILLINOIS
September 21-22
NACM Midwest Credit Conference, including Great Lakes and Ohio Valley District Credit Conferences and St. Louis Association of Credit Management.

MINNEAPOLIS, MINNESOTA
September 28-29
North Central Credit Conference including Minnesota, North Dakota, Manitoba.

HOUSTON, TEXAS
October 15-18
37th Annual Conference of American Petroleum Credit Association

ATLANTIC CITY, NEW JERSEY
October 26-28
NACM Eastern Division Credit Conference

FORT WORTH, TEXAS
October 26-28
Annual Southwest Credit Conference, including Texas, Arizona, Arkansas, Louisiana, New Mexico and Oklahoma

MILWAUKEE, WISCONSIN
October 27-29
Mid-West Credit Women's Conference

HOLLYWOOD-BY-THE-SEA, FLORIDA
November 12-15
Forty-Seventh Annual Fall Conference of Robert Morris Associates

PORTLAND, OREGON
March 15-16, 1962
Conference of the Credit Executives of the Pacific Northwest, including Idaho, Oregon, Washington, and British Columbia.

Personnel Mart

CREDIT MANAGER AVAILABLE

Age 48. Twenty-four years commercial, retail and wholesale experience with Aaa-1 corporation. Checked up to $10,000,000 volume yearly. Office manager 12 years. Statement analysis. Résumé and references available at your request. CFM Box #532.

AVAILABLE FOR TREASURY

CREDIT AND COLLECTION MANAGER, OFFICE MANAGER, ATTORNEY, MULTI-MILLION DOLLAR CORPORATION, desires assistant treasurer, controller or related field.
Age 30 $10,000.
CFM Box #536.

Entertainment Features of The Credit Congress

(*Continued from page 32*)

Orleans' Roosevelt and Chicago's Drake hotels. The variety show will also feature a number of other professional entertainers, including the Ernie McLain White Guard singers and Rocky Mountain Belles, a novelty dance team, an old-time honky-tonk piano player, and others.

For business and pleasure, the 65th Annual NACM Credit Congress is a date to mark now on your calendar. If you haven't done so already, make your reservations today with your local credit association. Congress for the credit fraternity convenes on May 14th. Don't miss this opportunity to hear outstanding business speakers and panelists, to participate in Industry Group sessions, and to renew old friendships and make valuable new contacts with your colleagues.

Little Rock Association Names W. D. George Secretary-Manager

William D. George has begun his duties as secretary-manager of the Little Rock Wholesale Credit Association with direct charge of the new commercial collections department.


W. D. GEORGE

Born in Minot, N.D., and educated at Dubuque, Iowa, Mr. George enlisted in the Navy as an apprentice seaman in 1937 and won combat decorations in World War II and the Korean conflict. He retired last August as a commissioned warrant officer after 23 years of service.

From 1952 to 1955 he was assistant officer in charge of the Navy's Arkansas recruiting district, with 22 substations in five bordering states. He functioned as personnel officer on the Navy Task Group commander's staff in operations Redwing and Hardtack, Atomic Energy Commission tests of nuclear weapons at Eniwetok Proving Grounds in the Pacific. Later he was administrative officer on the staff of Admiral Arleigh Burke in the fleet operations division of the office of the chief of naval operations.

Mr. George is a past president of the Little League at Springfield, Va., and was a Cubmaster there.

Mr. and Mrs. George have two sons, 12 and 8 years old.

Department Expanding Effort To Increase Exports: Hodges

Expanded effort is planned to increase American exports of goods and services, "both to increase employment at home and to support our commitments abroad without an adverse balance of payment," Luther H. Hodges, secretary of commerce told the National Industrial Conference Board in Washington.

Defining the many domestic and foreign services of the department, Secretary Hodges added that on a broad front the Bureau of Foreign Commerce is seeking to reduce restrictions against U.S. products and is cooperating with other nations to solve trade and exchange problems.

New York Association Observes 66th Birthday at Banquet

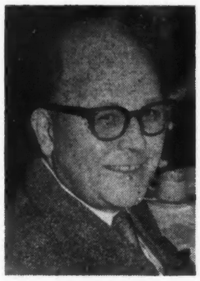
Eleven hundred business executives observed the 66th birthday of the New York Credit & Financial Management Association at the annual banquet. President Sidney A. Stein, president of Stein Factors Corporation, reviewed association achievements of the past year. Dr. Kenneth McFarland, General Motors Corporation, was guest speaker.

Among guests at the head table were the NACM's President Ralph E. Brown, vice president of Marsh & McLennan, Inc., St. Louis, and Executive Vice President Alan S. Jeffrey. Invited guests also included National's four divisional vice presidents: S. F. Sayers, vice president The First Pennsylvania Banking & Trust Co., Philadelphia; Fred Flom, director of credit and adjustment, Detroit Edison Co.; B. Earle Walker, vice president, treasurer and credit manager C. M. McClung & Co., Inc., Knoxville; and Gilbert W. Sites, credit manager The Times-Mirror Co., Los Angeles; and National Director Earl N. Felio, treasurer, assistant secretary, general credit manager Colgate-Palmolive Co., New York.

Enthusiasm really works wonders. You can quickly see the different attitude people have towards you when you show enthusiasm.
—N. A. Rombe

McKee New Exalted Superzeb Of the Zebra Herd at Dayton

J. Sid McKee, of Borden Company-Milk Division, Dayton, is the newly elected Exalted Superzeb of the Dayton Herd of the Royal Order of Zebras, NACM membership promotion organization.


J. S. McKEE

John Linneman of Hobart Manufacturing Company, Troy, Ohio, is Most Noble Zeb, and Gus Kleiber, Dayton Builders Concrete Company, was named Royal Striper. Herb Zechar of Herbco, Inc., was reelected Keeper of the Zoo.

D. L. Aurand, secretary of the Dayton Association of Credit Men, continues as Zebratary.

Kansas, Oklahoma, W. Virginia Join All-Par Banking States

Three more states have dropped from the list of non-par banking states, according to the latest Federal Reserve Board report, for the year ended December 31. This brings the total of non-par states down to 17, from the year-ago figure of 20. The states which have now gone over to the all-par list are Kansas, Oklahoma and West Virginia. The number of non-par banking outlets in the United States at the end of the year totaled 1,989, as against 2,022 for the previous year.

Par clearance is the practice (by most banks) of honoring checks drawn upon them at full face value. Non-par clearance results in check recipients receiving less than full value for goods sold or services rendered. Cumulative cost to the economy still ranges into millions of dollars annually.

NACM spearheaded the drive for universal par clearance over 20 years ago. Its local affiliated associations have succeeded in bringing about the enactment of par clearance laws in Iowa, Nebraska and Wisconsin. NACM was also instrumental in having the par clearance provision written into the Federal Reserve Act in 1913, and has since rebuffed legislative attempts to remove it.

Mail Fraud Acquittal Follows Incomplete Financial Statement

Serving as reminder to credit executives that the essential elements of a financial statement be explicitly set forth before consideration be given to the statement for credit purposes is the recent acquittal of two defendants following a three-week trial on mail fraud charges involving an allegedly false financial statement.

The statement, issued on a standard form prepared by a large credit reporting agency, varied substantially from the debtors' books in many respects, particularly in the fact that it omitted any reference to a large amount of accounts receivable pledged to a commercial finance company.

A question on the form, "Are any of your assets pledged?", was unanswered by the debtor. The defense argued that the absence of an answer did not entitle credit grantors to assume that it was "no".

J. J. Wathey New Chairman of National Paper Credit Group

John J. Wathey, general credit manager of Lily Tulip Cup Corporation, New York, is the new chairman of the National Paper Industry Credit Group, NACM. Jerome Goodman, credit manager Hudson Pulp and Paper Corporation, is vice chairman and Donald Gross, credit manager Gilman Paper Company, both of New York, was elected program chairman.

Committee members are Walter Bidermann, assistant credit manager Union Bag-Camp Paper Corporation, New York; Woodrow Brong, credit manager Dixie Cup Division of American Can Company, Easton, Pa.; and M. A. Sewell, assistant secretary and credit manager Crown Zellerbach Corporation, New York.

William R. Rooney, credit manager Personal Products Corporation, Milltown, N.J., former Group chairman, continues as a permanent member of the advisory committee.

Canadian Banker Deplores Pressure on Foreign Capital

Discussing the "bogy of foreign investment", President W. Earle McLaughlin of The Royal Bank of Canada, Montreal, addressing shareholders, deplored the "tremendous pressure brought on the government to discourage a further inflow" (of foreign capital) "and thus presumably to bring down our exchange rate, reduce foreign indebtedness, and in general to solve in one easy stroke of economic nationalism all the problems of trade, employment and debt that currently beset us.

"What this pressure group advocates in effect is . . . actually to hasten the arrival of the Day of Judgment which they profess to fear.

"As in monetary policy, so in its policy towards international capital, the government, in insuring a high degree of Canadian economic independence, need not resort to any tinkering with exchange rates, trade balances or capital flows."

Reports from the Field

EAST ORANGE, N.J.—Alan S. Jeffrey, executive vice president National Association of Credit Management, addressed the dinner meeting of the New Jersey Association of Credit Executives.

NEWARK, N. J.—Field Warehousing and Trust Receipt Financing were described respectively by Charles J. Evered, Lawrence Co., and John W. Hill, American Acceptance Corp., at the credit conference and forum of the New Jersey Association of Credit Executives.

SYRACUSE, N.Y.—William J. Dickson, consultant in research and education for the credit and collection service, General Electric Co., New York City, spoke on "Personal Development for Better Credit and Financial Management" at the dinner meeting of the Syracuse Association of Credit Men. Mr. Dickson is former director of education NACM.

PHILADELPHIA, PA.—"Voice of the Gavel" production starring Bertram K. Wolfe, referee in bankruptcy Eastern Pennsylvania District, and William Lipkin, referee in bankruptcy Southern New Jersey District, highlighted the dinner meeting of the Credit Management Association of Delaware Valley.

COLUMBUS, OHIO—The first joint meeting of the Columbus Credit Association and its new affiliate, the Women's Credit Group of Columbus, heard Fred McLaughlin, vice president and director of merchandising, Landmark Farm Bureau Cooperatives, discuss "Customers Are People."

CHICAGO, ILL.—Financial Editors Merry-Go-Round, feature of annual forum meeting of the Chicago-Midwest Credit Management Association, had as participants these gentlemen of the Fourth Estate: Edward A. Kandlik, Chicago Daily News; William N. Clark, Chicago Tribune; Edwin Darby, Chicago Sun-Times; William R. Clabby, Wall Street Journal and Alan Sturdy, Commerce Magazine. David Dillman, Inland Steel Co., was moderator.

DALLAS, TEXAS—"Present Day Bankruptcies" was subject of Elmore Whitehurst, referee in bankruptcy U.S. District Court, Dallas, at the luncheon meeting of The Dallas Association of Credit Management, Inc.

"The Importance of Credit Committees on Out of Court Proceedings" was topic of Carl W. Williams, president The Holen Co., at the subsequent meeting.

BOSTON, MASS.—At the meeting sponsored jointly by the Credit Women's Group of Boston and the New England Association of Credit Executives, Inc., Dr. James W. Kelley, associate dean for academic affairs and professor of business administration, Boston U. College of Business administration, discussed "The Shape of Things to Come in New England."

At the regular association meeting, "Credit Executives—Applied Psychologists" was topic of Dr. John H. Judge, professor of social sciences at Tufts College and Northeastern U.

UTICA, N.Y.—Sigmund F. Pelson, assistant vice president American Express Field Warehousing Corp. and American Express Warehousing, Ltd., discussed field warehousing both as an instrument of banking and as an instrument of distribution at the dinner meeting of the Central New York Association of Credit Men, Inc.

BINGHAMTON, N.Y.—Practical credit problems was subject of discussion by these participants at the joint meeting of the Triple Cities Association of Credit Management and Triple Cities Credit Women's Club: Alfred C. Mosher, First City National Bank; Neil O'Brien, the Evening Press; Stewart Rusby, Ansco and Clifford Thompson, Wilcox Wholesale Corp. Lawrence A. Doyle, Fair Store, was moderator.

Student Recognition Night speaker Dr. William Lavon Smith, Ph.D., had for his theme "Parable of the Roasted Pig."

NORFOLK, VA.—"Collection Protection" was topic of T. P. Tignor, Jr., Virginia agent for American Credit Indemnity Co., at the luncheon meeting of the Tidewater Association of Credit Management, Inc.

OMAHA, NEBR.—Fred L. Gagne, director of research Northern Natural Gas Co., discussed "Total Marketing for Survival and Growth" at the dinner meeting of the NACM Nebraska-Western Iowa Unit.

CINCINNATI, OHIO—H. Lyman Greer, vice president in charge of investments, Fifth-Third Union Trust Co., spoke on "The Causes and Cures of Depressions and Recessions" at the Credit Club luncheon meeting of The Cincinnati Association of Credit Management.

ST. LOUIS, MO.—Joint luncheon meeting of Sales Executives Association of St. Louis and St. Louis Association of Credit Management had as speaker A. Carl Weber, director of research engineering Laclede Steel Co. Mr. Weber's talk was titled "A Profit with Honor."

With the Women's Groups

LOS ANGELES, CALIF.—Dr. Donald Rice, Boston psychiatrist, spoke on "Psychology in Credit" at the Top Management Night meeting of the Los Angeles Credit Women of the Credit Managers Association of Southern California, Inc.

ST. LOUIS, MO.—"Women and the Administration of Justice" was the subject of William W. Crowdus, attorney, at the meeting of the Credit Women's Club of St. Louis.

PITTSBURGH, PA.—Miss Vivien Kellems, president The Kellems Co., Stonington, Conn., author "Toil, Taxes and Trouble," probed the subject of government taxes at the annual Credo luncheon meeting sponsored by the Pittsburgh Credit Women's Group. Miss Kellems is one of the few women members of the American Institute of Electrical Engineers. In 1950 she was designated "The Nation's Leading Business Woman." She is perhaps best known for her "one-woman crusade" for withholding-tax reform.

DALLAS, TEXAS—The Dallas Association of Credit Women had as their dinner meeting speaker J. Gordon Meek, sales manager Metal Goods Corp., who spoke on "Management—Sales or Credit."

COMMERCIAL CREDIT

COMPANY AND SUBSIDIARIES

In three primary areas—Finance, Insurance, Manufacturing—Commercial Credit subsidiaries provide a wide variety of services and products that contribute to the growth of American business and the well-being of American families . . .

CAPITAL FUNDS OVER $250,000,000

FINANCE

- Wholesale Financing
- Instalment Financing
- Business Loans
- Equipment Financing and Leasing
- Fleet Lease Financing
- Rediscounting
- Personal Loans
- Factoring

INSURANCE

- Automobile Insurance
- Commercial Credit Insurance
- Health and Accident Insurance
- Credit Life Insurance

MANUFACTURING

- Pork Products
- Metal Products
- Heavy Machinery and Castings
- Malleable, Gray Iron and Brass Pipe Fittings
- Metal Specialties
- Roller and Ball Bearing Equipment
- Machine Tools
- Toy Specialties
- Pyrotechnics
- Printing Machinery
- Valves

HIGHLIGHTS FROM FIVE YEARS OF GROWTH

	1960	1955
GROSS INCOME	$ 216 549 607	$ 145 235 738
NET INCOME:		
Net income before interest and discount charges	$ 126 264 151	$ 79 119 292
Interest and discount charges	71 868 626	24 922 052
Net income from current operations, before taxes	$ 54 395 525	$ 54 197 240
United States and Canadian income taxes	25 524 179	28 012 310
Net income credited to earned surplus	$ 28 871 346	$ 26 184 930
Net income per share on common stock	$5 66	$5 22
Common shares outstanding at end of period	5 100 329	5 015 516
RESERVES:		
Reserve for losses on receivables	$ 22 777 051	$ 16 385 073
Unearned income on instalment receivables	115 503 148	63 488 898
Unearned premiums–Insurance Companies	34 352 457	37 647 870
Available for credit to future operations	$ 172 632 656	$ 117 521 841
Operations shown separately are, briefly:		
FINANCE COMPANIES:		
Gross Receivables acquired	$4 287 919 187	$3 677 241 749
Receivables outstanding December 31		
Automobile retail and wholesale	$ 902 464 966	$ 904 105 274
Mobile home, appliance and other retail and wholesale	213 530 153	136 917 238
Farm equipment retail and wholesale	250 734 096	
Factoring	163 280 198	71 571 058
Business Loans–accounts receivable	106 264 501	69 701 102
Fleet Leasing	47 005 211	
Industrial equipment	58 915 430	9 606 561
Personal or direct loan	158 863 082	51 186 065
	$1 901 057 637	$1 243 087 298
Sundry (principally unclassified items)	6 002 646	4 458 537
Total	$1 907 060 283	$1 247 545 835
Net income of Finance Companies	$ 16 704 890	$ 15 628 251
INSURANCE COMPANIES:		
Written premiums, prior to reinsurance	$ 40 857 351	$ 47 056 317
Earned premiums	38 581 860	38 663 845
Net income (including Cavalier Life Insurance Co.)	9 788 774	5 877 336
MANUFACTURING COMPANIES:		
Net sales	$ 129 200 097	$ 117 992 005
Net income	2 377 682	4 679 343

Copies of our 49th Annual Report available upon request.
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